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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 1979

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EAST EUROPE REPORT

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BRIEFS

CSSR-BULGARIAN TRADE PROTOCOL--The protocol on the exchange of consumer goods between the CSSR and the People's Republic of Bulgaria for 1980 envisages mutual deliveries worth R10 million. [Text] [Prague LIDOVA DEMOKRACIE in Czech 14 Jan 80 p 3 AU]

CSSR-MONGOLIAN TRADE REVIEWED--Czechoslovakia is Mongolia's second largest trade partner, after the Soviet Union. Exports and imports are balanced. In 1979 the mutual turnover of goods amounted to more than R20 million. Raw materials and livestock products account for more than 60 percent of Mongolia's exports. [Prague RUDE PRAVO in Czech 15 Jan 80 p 6 AU]

CSSR-POLISH 1981-85 COOPERATION--In Prague on 21 January Ladislav Supka, CSSR minister of technological and investment promotion, and Janusz Groski, Polish minister of science, higher education and technology, discussed the expansion of scientific-technical cooperation between their two countries, and the preparation of the 1981-85 CSSR-Polish program of scientific-technical cooperation. [Bratislava PRAVDA in Slovak 22 Jan 80 p 2 AU] In Prague yesterday [23 January], L. Supka, federal minister of technological and investment promotion, and J. Groski, minister of science, higher education and technology of the Polish People's Republic, signed a protocol on the deepening of scientific-technical cooperation between the two countries. [Text] [Prague PRACE in Czech 24 Jan 80 p 3 AU]

SED STUDY DELEGATION TO CSSR--An SED Central Committee study delegation led by G. Ehrensperger, candidate member of the Central Committee and chief of the SED Central Committee department for planning and finance, arrived in Prague on 28 January, at the invitation of the CPCZ Central Committee. During their 1-week stay in the CSSR the guests from the GDR will acquaint themselves with the findings of the CPCZ in the sphere of planning and management of the national economy. At the Ruzyne Airport the delegation was welcomed by V. Micka, head of a CPCZ Central Committee department. The GDR ambassador to the CSSR, G. Koenig, was also present. [Bratislava PRAVDA in Slovak 29 Jan 80 p 2 AU]

CSO: 2400

SLOVAK DAILY: PRIVATE PLOTS DO NOT MEAN PRIVATE ENTERPRISE

AU230940 Bratislava PRAVDA in Slovak 19 Jan 80 p 2 AU

[Commentary by Eduard Fasung in the column "Notes": "No, This is Not a Road Leading Back"]

[Text] "Even though the wholesale production is delivering a steadily increasing amount of animal produce, it is essential to make use of all possibilities for private plot owners and other small producers to increase meat production, and for achieving self-sufficiency and having animals fattened on contract," says the report "On the Main Tasks of National Economic Development in 1980," delivered at the 14th CPCZ Central Committee session. At the same time it states in this connection that the results achieved in this respect so far do not correspond to the actual possibilities.

Some of our citizens have been looking for some sort of road back in these words, [an indication] that we are now going back to small-scale production and giving scope for private enterprise in agriculture, since the large-scale production is incapable of supplying the market with sufficient foodstuffs. However, one can openly say that nothing like this is happening. If we are providing opportunities for private plot owners and small breeders, it is only because we want all land, as well as additional sources of fodder, such as food leftovers and kitchen garbage from households, to be properly used for satisfying all social needs. Surely it is illogical for us to import hundreds of thousands of tons of very expensive grain from abroad, while at the very same time we are throwing out thousands of kilograms of bread, flour products and other food, on to the dung-heap, even in rural areas. Moreover, owing to the reduction in the level of sel-sufficiency of the rural population, the demands on state trade enterprises are growing: apart from satisfying the requirements for higher food production, the satisfaction of these demands also requires greater transport costs, and fuel consumption is increasing--although fuel is one of the most sought after and very expensive commodities of the world's economy.

If we view the demand voiced by the 14th CPCZ Central Committee session--namely, to increase the percentage of self-sufficiency in rural areas in the overall satisfaction of market requirements for foodstuffs--in this light, we will easily come to the conclusion that the demand is logically substantiated and beneficial for the entire society. That is why one can say without exaggeration that the utilization of these possibilities does not mean taking a road leading back.

CSO: 2400

BRIEFS

DELEGATION TO LATIN AMERICA--A CSSR delegation, headed by J. Jakubec, deputy minister of foreign trade, departed on 27 January for Ecuador and Colombia, where it will attend session of mixed commissions for trade, economic and scientific-technical cooperation, according to valid long-term agreements. [Bratislava PRAVDA in Slovak 28 Jan 80 p 2 AU]

CAMBODIAN AGRICULTURE MINISTER--J. Nagr, CSSR minister of agriculture and food, on 11 January received in Prague Men Than, minister of agriculture, fishing and forest economy of the People's Republic of Cambodia, who informed him about the measures taken by the Cambodian People's Revolutionary Council to revive the country's national economy and to insure food for the population. The Cambodian guest was also interested in the successful process of the socialization of Czechoslovak agriculture and in the possibilities for mutual cooperation. [AU151510 Prague PRACE in Czech 12 Jan 80 p 3 AU]

INDIAN TRAINEES--Krishna Rana, Indian ambassador to the CSSR, on 11 January visited the Skoda Plzen sector enterprise, where he acquainted himself with the production of steam turbines and talked to the Indian workers undergoing practical training in the electrotechnical plant of this enterprise. [AU151510 Prague PRACE in Czech 12 Jan 80 p 3 AU]

KAMPUCHEAN TRADE MINISTER DEPARTS--On 14 January a delegation of the People's Republic of Cambodia led by T. Sarin, minister of domestic and foreign trade, left Prague. At the Ruzyne Airport the delegation was seen off by A. Barcak, CSSR minister of foreign trade. [AU201710 Bratislava PRAVDA in Slovak 15 Jan 80 p 2 AU]

SHIPS FOR USSR--Last year the Prague Czechoslovak Shipbuilding Yards exported 12 technical vessels [technicka plavidla] and pumping stations to the USSR; a further 14 vessels are planned for this year. The total number of vessels exported by the yards to the USSR from 1953 to the end of the five-year plan amounts to 344. The outline plan for the next five-year plan provides for 41 vessels. [Prague VECERNI PRAHA in Czech 17 Jan 80 pp 1, 2 AU]

PROTOCOL WITH IRAQ SIGNED--An Iraqi Government delegation, which had discussed the conclusion of a protocol on goods exchange in 1980 in Prague, left Czechoslovakia on Wednesday [16 January]. The protocol was signed by Josef Koci, director of a Foreign Trade Ministry department, for the Czechoslovak side and by (Mahdal Noori Ahmed), general director of the Ministry of Trade of the Republic of Iraq, for the Iraqi side. In accordance with the signed document, the mutual goods exchange will markedly increase this year. [Text] [Prague RUDE PRAVO in Czech 17 Jan 80 p 2 AU]

CSO: 2400

WEST GERMAN COMMENTARY: PREDICAMENT OF GDR AGRICULTURE

Bonn DIE WELT in German 12 Dec 79 p 12

[Article by Claus Hoecker: "Self-Sufficiency in Food Raising Still First Priority in GDR"]

[Text] GDR agriculture finds itself in a crossfire. Newspapers and the media are appealing to the "socialist consciousness" of cooperative farmers to increase their efforts and achieve a higher degree of self-sufficiency in supplying the population with foodstuffs and meat. The appeals are motivated by the fears, magnified by the approaching winter and the chronic shortage of foreign exchange, that the GDR may be unable to increase food imports given the steadily rising prices of raw materials on world markets.

Domestic production of agricultural products takes care of between 72 and 82 percent of consumption. Given a harvest of between 8.6 and 8.9 million tons (10 percent below the 1978 harvest -- 6 percent less than the FRG) 4 million tons of cereals must be imported. At a GDR symposium held at the Berlin Reichstag agricultural specialists voiced the opinion that the GDR would not be able to fulfill its livestock production plan in spite of these food imports.

In question is the aim of achieving autarchy of an agriculture which has repeatedly been exposed to massive pressure by the SED. After the war complete restructuring of the operation and social composition of farms was carried out. Land was redistributed, the farms of landowners and many farmers were expropriated, resulting in a mass exodus which was followed by collectivization and the formation of agricultural production cooperatives (LPG) which to this day collectively manage the land, buildings, livestock and machinery taken from the farmers.

Since 1960 the objective of socialist strategy has been to create an agriculture using industrial production methods. Land, capital and labor are concentrated in large crop and livestock-raising enterprises which in turn specialize in growing specific cereal crops, root crops, potatos, legumes and fodder and raising cattle, poultry and pigs.

Currently there are 1,131 crop production enterprises of an average size of 5,000 hectares, 3,015 livestock LPGs with up to 1,500 head of cattle and in addition 487 people's farms (former state farms employing piece-work labor), 247 agricultural building construction enterprises and 214 technical and repair shops. Then there are 257 agrochemical centers for large-scale fertilizing and liming carried out in part by airplanes.

The 806,000 cooperative farmers are paid a monthly advance based on estimated labor performed and the expected farm income and receive at the end of the year the balance of their due pay. The success of LPGs was to be achieved by profit sharing and the pooling of drying facilities, vehicles, by large barns and feed mills. The fact that livestock raising enterprises and feed lots must submit their requests for increased deliveries of feeds to crop-raising farms 1 1/2 years before the new livestock arrives is an example of the difficulties these enterprises face.

In addition, the livestock-raising farms are not as mechanized as the crop production LPGs. Each year every one of the 390,000 farmers tending livestock in the many small barns, which have been neglected for decades as a result of the priority assigned to building large barns, has worked 300 overtime hours. Beginning in 1980 these outmoded farms are expected to be equipped on a large scale with modern mechanized feeders, dung removers and ventilation.

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BRIEFS

COOPERATION WITH FINNISH RADIO--A protocol on cooperation between the GDR and Finnish (Yleis-Radio) services for 1980-81 was signed in Helsinki on Wednesday, 23 January. The fruitful cooperation of many years between the two radio organizations will be deepened with joint projects in the musical sector and in the entertainment sector as well as with further exchanges of programs and experiences. [Text] [AU252200 East Berlin NEUES DEUTSCHLAND in German 24 Jan 80 p 2 AU]

MOZAMBIQUE RADIO PLANT ASSISTANCE--The first few portable radio sets of the "Contura-2511" type developed in the GDR have left the conveyer belt of the sole radio plant of Maputo. Fifty Mozambicans were trained with the assistance of GDR specialists for this activity, which is new for them. The component parts for the set being manufactured in Mozambique under the name "Xiroco" ("Little Bird") are for the time being exclusively supplied by the GDR combine for radio and television. The sensitivity of the set was considerably boosted to comply with the conditions of the African territory which is seven times larger than that of the GDR. [Text] [AU252200 East Berlin NEUES DEUTSCHLAND in German 24 Jan 80 p 2 AU]

AGRICULTURAL MACHINERY ACCORD WITH INDIA--An agreement on cooperation in manufacturing milk-processing machinery and equipment was signed in Delhi by Juergen Bischoff, deputy director general of the GDR "Progress" agricultural machinery enterprise, and by B. Ramachandra, president and managing director of the Indian Hindustan Machine Tools Ltd state organization. Heinz Sachse, GDR deputy foreign trade minister, and V. Krishnamurthy, state secretary in the Indian Industry Ministry, who attended the signing, in speeches expressed the hope that modern industrial cooperation of this type would be speedily developed further for the benefit of both states. The contract envisages the transfer of eight production licenses by the VEB "Progress" agricultural machinery combine and of one license by the VEB Nagema combine to the Indian firm. [Text] [AU252200 East Berlin NEUES DEUTSCHLAND in German 24 Jan 80 p 2 AU]

TRANSPORT ACCORD WITH WEST BERLIN--On Thursday, 24 January, an agreement was concluded in the GDR Ministry for Transport between the Transport Ministry and the West Berlin senator responsible for building and housing affairs. The agreement concerns rebuilding the transport installations in the southern sector of West Berlin. On the basis of this arrangement, the railroad facilities at the Potsdam and Anhalter railroad stations--both of which are located in West Berlin--will be eliminated. New railroad facilities will be constructed in the southern sector of West Berlin. The construction of these new facilities--which will be effected on the basis of appropriate blueprints supplied by the GDR Ministry for Transport--will be carried out and financed by the West Berlin Senat. The agreed-upon remodeling of the transport installations in the southern sector of West Berlin will enable West Berlin to realize certain street and city building projects. [Text] [AU301105 East Berlin NEUES DEUTSCHLAND in German 25 Jan 80 p 2 AU]

CSO: 2300

MODIFICATION OF ECONOMIC REGULATORS DESCRIBED

Budapest TARSADALMI SZEMLE in Hungarian No 1, Jan 80 pp 26-33

[Article by Bela Szikszay, deputy department head of MSZMP Central Committee: "On the Modification of Economic Regulators"]

[Text] Essential changes were made on 1 January 1980 in the economic regulatory system. The greatest changes are taking place in the producer price system and the price mechanism, and in harmony with this certain elements of the economic regulators are being changed. The essence of the changes is that this important instrument system of management will more clearly mediate to the enterprises the higher requirements of economic development, and more consistently serve fulfillment of our economic policy goals.

Our present economic tasks, the unfavorable effects exerted on our economic development by the world economic changes, and the experiences we have gained in recent years in the operation of the regulatory system have all made the further development of economic regulation necessary.

The Necessity To Develop the Economic Management System

Toward the end of the 1960's the Hungarian economy reached a new phase in its development. The level of the economic development that had been attained, the nature of the economic tasks that had to be solved, and the exhaustion of possibilities in certain factors for sustaining development from quantitatively greater sources made necessary an economic development built primarily on quality factors. In this relation, the economic management reform carried out in 1968 can be conceived of as the further development of socialist plan management under Hungarian economic relations in the intensive phase of economic development. The Hungarian Socialist Workers' Party decided on the further development of the economic guidance system not under circumstances of urgent economic compulsion but on the basis of conscious foresight in recognition of the historical necessity of imminent intensive development. During this period it seemed that the transformation of our economy to a new course of development was a task to be carried out slowly and gradually.

Toward the middle of the 1970's, rapid and substantial changes began to take place in the world economy. These were expressed above all in the rapid changes in world market prices and price ratios, and in the important increase

in prices for energetics and raw materials. The developing changes--in addition to our endowments--devalued by one-fifth the achievements of the Hungarian economy as shaped by its production and export structure, signifying a great price loss, worsening of equilibrium, and the accompanying difficulty in overcoming the disadvantages for our economic development. Perhaps it is not superfluous to note that if the above-mentioned terms of trade had not deterioriated, our economy would be in balance.

The world economic changes did not alter the nature of the tasks that had to be solved for our economic development. The new situation continues to require an economic development built on quality factors: a significant increase in economic efficiency; the transformation of the production structure, and the substantial improvement in the effectiveness of the whole management; and it assumes an economic management system adequate to these goals. But what appeared a few years earlier to be a task that could be solved gradually became an urgent necessity in the second half of the 1970's. In this situation, one of the extremely great difficulties of the task was latent in that the economy had to be substantially improved in such spheres and activities as usually cannot be changed by leaps within a short period of time (transformation of the production structure, improvement in technical development and quality, the raising of the level of organization, and so forth).

In evaluating the situation, the 11th Party Congress set forth the main direction of further development in an important and essentially more rapid increase in economic efficiency. To do this, it regarded as necessary the development of economic management in such a way that more efficient central guidance would go together organically with the development of economic independence, initiative and material incentive.

The Fifth Five-Year Plan also set as its goal the primary development of efficiency extending to all factors. Calculating on a realistically attainable growth in efficiency, it moderated the rate of economic growth and the main indexes of the rise in living standards as compared to earlier years. Moreover, it called for a more modreate increase in consumption for production, for the plan period as a whole it counted on the participation from foreign sources.

In October 1977, the Central Committee passed a resolution on the long-range guidance of the production structure and the development of international economic relations. Thus we shaped the programs, the medium and long-range development lines which outlined the concept necessary for the development of the Hungarian economy under substantially stricter conditions than existed before, that is, which included an adjustment to permanently altered development conditions.

In the first 3 years of the five-year plan, our economy developed only partially on the course laid out in the plan concept, and in important areas of development it deviated from the lines set forth; the increase in economic efficiency and the structural transformation were slower than planned

or than what would have been possible, domestic consumption was greater than the target, remaining behind production less than we had planned for equilibrium considerations, and as a consequence of all these things a further significant deterioration occurred in the economic equilibrium. It became an urgent requirement to proceed more consistently on the economic development course outlined in the plan concept, emphasizing the gradual attainment of an economic equilibrium and its consolidation. The 1979 plan and the development show the initial successes and results of this course.

Economic development which deviates at essential points from the requirements of the plan are explained by various circumstances. Undoubtedly, a primary role was played in this by foreign economic factors, external conditions deteriorating more than was assumed. In addition, however, an important role was played by the weaknesses of economic regulations and the economic management practice which does not realize consistently enough the economic policy requirements of the plan.

The prices and the economic regulators--despite modifications carried out a number of times in recent years--did not consistently mediate in practice to the enterprises those economic requirements which posed increasingly higher standards to production and management. On prices which recognize in a general way one-time expenditures, we built a regulatory and incentive system which affirmed many one-time interferences and exceptions and in their totality loosened the economic policy requirements aimed at a vigorous growth in efficiency. Under such circumstances, the mediating role of the market value judgement which indicates price efficiency was realized only in a limited way, and a significant share of the enterprises when being measured by an international yardstick realized a profit even in the event of activity not sufficiently effective. Exemptions from and exceptions to the carrying out of prescriptions led to a greater purchasing power outflow than planned, and this also contributed significantly to the fact that in some years neither the slower rise in the consumption of the national income nor investment purchasing power regulations nor income centralization developed according to plan.

Such exercise of regulation and economic guidance did not stimulate the enterprises sufficiently to adjust to the changing and stricter foreign economic conditions, did not create an environment which would have constrained to the necessary extent the transformation of the production structure, a more vigorous development of the product structure, and a strict, economically rational management extending to every element of production. Under such circumstances, short-range and annual incentives remained preponderant in enterprise activity, and enterprise attitudes involving greater risks and directed at long-range development and management evolved to a lesser degree.

We can deduce from the experiences gained in recent years about the unfavorable effects exercised by the world market changes on our economy and the operation of the economic regulatory system that in addition to maintaining

our economic guidance system and its basic conditions it will be necessary to continue development of economic guidance in order to achieve their more consistent realization and adjust them to the altered circumstances and requirements. Essentially, this requires the carrying out of three important tasks:

1. We need to develop the whole of the economic regulatory system as a program, increasing the effect exercised on the quality of economic development, the features which pose higher requirements, and the "harmonization" with the goals of the economic plan;

2. we must realize a central economic guidance attitude which will evoke the realization and the more consistent undertaking of the economic policy goals of the plan and will not loosen the plan requirements, and the regulation will not grant unjustified concession in respect thereto;

3. it is necessary to have in all elements of our economic guidance system--in national economic planning, economic regulation, and the decision-making and organizational system--a development that is coordinated within itself and with the economic policy goals, because only the combined, harmonious continuing development of the entire management inventory of means can assure the economic results necessary for our development.

The 1980 modification of the economic regulators is being realized as the first step in the onward development of the economic guidance system.

Main Features in the Modification of Economic Regulators

For the further development of our economic regulatory system the economic policy lines of the Sixth Five-Year Plan which are now being drafted served as the base. Accordingly, its main task is the vigorous increase of economic efficiency, the restoration and consolidation of economic balance, and the acceleration of the structural changes serving these requirements. The fulfillment of these tasks is served by the economic regulators, the main features of which we summaraize in the following:

1. With the further development of the price system the basic conditions will be created for the enterprise to feel market--particularly world market--effects more strongly and directly.

It is well known that Hungary's participation in international work distribution is of an important extent, we purchase a large part of our machinery and equipment from abroad, and an important share of our products are sold on foreign markets. Under such circumstances, virtually all our enterprises--directly or indirectly--are in relationship with foreign markets. Consequently, a very strong interest of ours is linked to having enterprises feel as directly as possible the requirements and changes being shaped on the foreign markets and that our production and entire management should adjust thereto. This is the condition for an improvement in the country's international economic position and the strengthening of the international competitiveness of our economy. The economic guidance system serves this goal

properly when it mediates to the enterprises and realizes in their management the world market prices, the appropriate requirements of the international standard.

We can also approach it another way by saying that economic guidance should provide only as much protection--in harmony with our socialist principles and appropriate to international usages--to the enterprises as will not do away with the realization of the international standard and the compulsory effect on production and management in keeping pace with international development.

In an economic management system operating with basically economic means, like ours, only the price system is capable of fulfilling the value-measuring role of orienting the enterprises to perform more competitive activity. The other means of regulation are not able to undertake this role effectively and continuoulsy. Therefore, from 1980 on we are using a price system and mechanism in which the domestic prices will mediate the world market prices, or their changes, more flexibly in production.

Since it builds the prices for materials, energy sources, and the most important semiprocessed goods on world market prices, the new producer price system expresses the fact that production and expansion have high (and increasing) costs, and therefore our basic interest is linked to their economic use. In and for itself this would still not stimulate rational, economic management. It was exactly one of the weaknesses of the price system in earlier years that prices were built on expenditures, and moreover they included profits, and thus a way was opened to pass on the increasing production costs (including the passing on of additional costs stemming from nonefficient work, since they were not able to discriminate reliably on costs between the justifiable and the nonjustifiable). It is precisely one of the characteristic features of the newly introduced price formation that in domestic sales as well an enterprise can pass on its increasing expenditures only if it is able to have the foreign buyer acknowledge the costs also in capitalist export prices. This is a very strict price formation requirement, which sets up a rational barrier to the automatic passing on of production costs. Accordingly, only that enterprise makes an adequate profit which is capable of holding down production costs, putting an end to uneconomical production, material and energy waste, and discover the reserves, in the broad sense of management, which are latent in the rational use of manpower and in cooperation.

Frequently the question is raised whether with world market price formation we do not build into our economic life also the important inflationary effects that are being realized in the capitalist world. To this we can reply that we are able to immunize our economy against the harmful effects of capitalist inflation but the condition for doing so is that we increase economic efficiency, and at least to such a degree as in the countries that have economic relations with us. In this case, the prices of our export products can rise like those of the import prices, which--paired with an active exchange-rate policy--will provide means for guarding the value of

the forint and defending against the harmful effects of inflation. Our economic situation and our future development require that the performance capability of our economy should improve also by international standards. The basic question of our continuing economic development is whether we can make a significant share of domestic production competitive internationally. Only this path of economic development can assure the creation of an economic balance, the protection of the living standards already attained, and the material sources of raising them in the future. This comprehensive task which requires a great exertion can be solved only with a coordinated system of economic management, and the full utilization of the inventory of means in management. The new producer price system and price formation contribute to this significantly.

2. Profit incentive acquires an important role. A more organic linking of domestic and world market prices in the most important areas of the economy improve the conditions for having profit express efficiency as measured by the international standard, and that profit differences should give an awareness of the efficiency differences among the enterprises. A price system operating according to basic principles and profitability rising by dint of prices is capable of expressing the effectiveness of an enterprise's operation which in our economic guidance system creates a more solid base than heretofore existed for the worthy and practical realization of the profit incentive system. In its process, this means that with the differences are given an intensified role, the increase in profits derives more and more from a rise in efficiency, and therewith the material-financial conditions are created for the more rapid development of enterprises operating economically and competitively in the international sense.

To realize profit incentive with greater consistency, we must draw more firmly the boundary line between workers in the profit incentive system and those areas where such incentives can be used only in a limited way, and therefore it is necessary to create the operational conditions which deviate from the general, but according to clearly ordered rules.

3. The normative features of economic regulators are being strengthened. The conditions thereof can be created partly in the price system and partly with the harmonization of the price and regulatory systems. The operation of the price system and the price mechanism in a broad enterprise sphere shapes profitability and profit formed on the basis of international value relations. Economic regulation is normative if it accepts the revenue relations shaped according to prices, does not change them basically and broadly, and thereby poses unified requirements on enterprises managing in a profit incentive system. From this feature of the regulatory system we expect that it will develop and strengthen the differentiation depending on the efficiency of enterprise profit, and reduce the important role played thus far by branch affiliation in profit differences.

4. The requirement for the stability and flexible change of regulators is being realized in a more orderly way. The stability of regulation is an important condition to make it possible for enterprises to carry out the

structural changes necessary for the creation of economic balance, for raising the level of their management, for connecting development and business policies resulting in efficiency increase and working out enterprise strategy. But for working out long-range enterprise policy it is also necessary for the regulators to mediate flexibly the changes in economic circumstances and requirements. Hence regulation must be stable and flexible at one and the same time in order to evoke adjustment of the changing circumstances. This is an objective requirement that is laid on regulation which we have no reason or way to change. However, we must see to it that the changes in the regulators are justified, well thought out in their effects, formative of enterprise decision attitudes that are in the interest of economic goals, and are realized in an orderly way.

Many misunderstandings exist over the interpretation of the stability and flexibility of the regulatory system. Public thinking generally interprets the stability of regulators to mean keeping the same prescription for a number of years. According to more extreme opinion, the regulators must be such as to assure the stability of the enterprises and maintain the attained revenue position. We cannot agree with these views.

Actually, the economic regulators must follow the external and internal conditions of the economy's development, and their changes, and include these in rules forming the attitude of the enterprises. That is, if the economic development conditions change, then changes must also be made in the rules that mediate these conditions. If the economic leadership neglects to do this, it cannot be expected that the enterprise attitude will change in harmony with the modification of the conditions. The stability of the regulators, therefore, must be interpreted in such a way that they will remain unchanged as long as the economic conditions remain unchanged; or vice versa, the regulators should be modified only in case of changes being undergone in the conditions.

Following from this concept, we cannot make the economic regulators responsible for changes which arise from the modification of the regulators and affect the revenue relations adversely. For example, if the exchange rate is modified in harmony with changes in the economic conditions and this affects the individual export enterprises unfavorably, the exchange rate is not "at fault," but rather those enterprises which neglected to take timely measures directed at increasing economic efficiency, or to improve the quality characteristics of their products, and it is for this reason that they got themselves into a disadvantageous position and will remain there until they close the gap with the international requirements.

We also regard it as belonging to the stability of economic regulation that we regard the most important regulatory means as unchanging over a number of years in their system and construct. For example, such stable elements, are: the basic rules of price formation, the price subsidies extended with socio-political intentions, the system of forming and using the profit tax and incentive fund, and the principles of wage and earning regulation and credit extension. The requirements of flexibility, on the other hand, are realized

primarily by the price mechanisms, the active exchange-rate policy, the various kinds of financial bridges, and the changes in credit terms.

5. The prescriptions for the regulators give time to the enterprises to adjust to the requirements. We came around to the further development of the price and regulatory system in that we knew some of the enterprises (their activities) could not be exposed at once to world market effects. Therefore, the prices and the regulatory prescriptions contain certain central supports, subsidies, so-called preferences and concessions in order to make it possible for us to carry out the transformation without greater disruptions and because they represent some days of grace for adjusting to the higher requirements and make possible expanded production also in this transition period. In the concessions built into the regulatory system, however, we bore in mind the basic principles of the economic guidance system. This means that the scope of the exceptional judgments has been significantly narrowed, and the enterprises can share in the subsidies only for a definite period of time and to a declining extent. In addition, we are striving to see that the use of concessions does not distort judgment on the results of enterprise management, and will not cover up a lack of economy. Given exceptions used in this way, the less efficient enterprises will be constrained to review their entire activity and put an end to uneconomical activity.

The Expected Effects of Modifying the Regulators

The modification of the economic regulators and the price system and the strengthening of its normative character face the enterprises with higher requirements and beat from the bush better than before the efficiency, economy and structural problems of management and production. Their most generally valid effect can be noted--at least this is what we expect--in that under the new relations the enterprises analyze more fundamentally their entire activity and seek to adjust all its elements--management, production, development and marketing--to the altered conditions.

The modified economic regulators help this process in a manifold way. Price formation, for example, does it in that it compares in various phases of production the domestic with the world market prices, and with this it also shows the relations of the individual verticals of production, and their position as compared to world market prices. Under such circumstances the attention of an enterprise and of central guidance can be directed more reliably, precisely and rapidly than heretofore to the weak points of production and management that must still be developed. The system of revenue regulation and taxation stimulates the enterprises to evaluate their managing practices and possibilities in a combined, complex manner both in development and growth of personal income. The comprehensive evaluation of enterprise activity, the flexible adjustment to changing circumstances is promoted by the fact that the enterprises' area of mobility and security are extended also by such possibilities of guidance and regulation as the establishment of price-differential reserve funds, and the utilization possibilities of the enterprise reserve fund.

Economic regulators and prices strongly stimulate development in various areas of enterprise management. The material prices which are developing at the world market level and the limited possibilities for passing on cost increases--we think--must evoke, must constrate rational savings in materials and energy--together with the generally greater volume of cost factors--or the enterprise attitude directed to this end. The size of enterprise sources makes it possible only in justified cases to increase circulating assets and raise the inventory level. The regulators that are coming into force--according to our expectations--will promote the rationalization and development of work organization and its advance over a broader area. At the same time, this will ease the manpower concerns also of enterprises which are operating efficiently but cannot use their capacities adequately because of personnel shortages. The more moderate role of economic growth, the maintaining of domestic consumption essentially at the level attained will evoke in many places, if paired with a more intensive profit incentive than heretofore, the improvement of cooperative relations. A strengthening in similar positive trends can be expected in other areas of management as well.

To put it generally, the lower profit level, the stricter standard of regulation and the incentive linked to an increase in enterprise profit combined will increase enterprise cost sensitivity and the incentive linked to a comprehensive improvement in management. In such a situation it is not enough to improve single elements of management--and regulation does not specially stress any one of them--but rather the rethinking of management as a whole and the raising of quality become necessary. In a situation of more intensive economic pressure, the enterprises themselves must find the possibilities available for the improvement of their entire activity. At the same time, this means that a stricter regulation in national economic dimensions will promote the liquidation of management weaknesses and a solution to management worries that have existed for a long time.

The producer prices which came into effect in 1980 will significantly change the starting positions of enterprise revenues and profit, and thereafter in the management process they will create a possibility for expansion in proportion with efficiency increase. Enterprise revenues are differentiated according to efficiency measured by international standards, and this will be neutralized more than before by financial regulation. Amid the regulation and price relations recently being resolved, only those enterprises will be able to develop relatively fast whose production and management can withstand the test of international comparison, and those enterprises will be able to expand their investment and personal income growth sources which can develop their efficiency dynamically.

The development of a more vigorous differentiation depending on performance and efficiency growth will not damage our socialist principles, but is rather in harmony with them. It is a basic economic interest that we should not restrict the possibilities of enterprises that are capable of a faster rate of development, and in fact where the conditions are given, they should even be able to acquire additional sources. But this will not lead to the outflow of additional revenue weakening our equilibrium situation only if the less efficiently operating enterprises with an unmodern product structure do not acquire additional means.

One of the essentially new features of economic regulation is that it will promote better than heretofore the more rapid development of good enterprises, and make more advantageous additional achievement stemming from efficiency growth. This is also expressed in the fact that the more profitable enterprises are acquiring access more easily to greater sources, among other things in the credit sphere. By virtue of state support for investments, the enterprises which are realizing the more profitable developments are given access to additional sources. The more rapid development of good enterprises is also served by the wage and earnings regulation system in that it links wage development more closely to increased performance, which it assures as a function of income improvement; and at a highly profitable enterprise the conditions for formation of the share fund are also more favorable than at those with low profitability. The wage subsidies are also improving primarily the situation of enterprises that are operating well, and do not serve those that are lagging behind in wage development.

Economic regulation not only poses stricter requirements on the enterprises but also faces the central economic guidance organs with more complicated tasks. In the economic environment created by the regulators we must develop the decision-making system and improve coordination. The new regulatory system is very "problem sensitive," which makes necessary at every level a more rapid reaction, and more firm and operative decisions. We must improve cooperation between enterprise and central organs, but without granting the central guidance to give exemptions from the published requirements. At present, the demand is stronger than ever before on the use of regulatory means for a coordinated goal.

To put it more generally, economic regulation and the economic tasks to be solved require the raising of the guidance and leadership level, coordinated cooperation, and a consistent attitude at every level of economic life.

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ECONOMIC PLANS, PROBLEMS DISCUSSED

Huszar Interviewed

Budapest HETI VILAGGAZDASAG in Hungarian 10 Nov 79 pp 4-7

[Interview with Istvan Huszar, deputy chairman of Council of Ministers and chairman of National Planning Office. Date and place not given]

> [Text] Our editorial board asked Istvan Huszar, the deputy chairman of the Council of Ministers and the chairman of the National Planning Office for an interview on long-term planning, the problems and prospects of our economic development, changes in structure and the future of our energy consumption.

[Question] A few years ago we were often able to read that a long-term plan was being prepared for the Hungarian national economy. Is it possible or is it worth preparing long-term plans in the abruptly changing world economy of our days?

[Answer] Indeed we were able to read a good deal about prospective plans in the past. I can even say that at present we are dealing in a much wider area and with many more matters than in the past, in connection with prospective plans oriented towards the turn of the century. The number of experts who are working hard to elaborate prospective prognoses is counted in the thousands.

The question as to whether it is worthwhile preparing prospective plans in the abruptly changing world is a valid one. I can say that it was worthwhile in the past, but now as a result of our social responsibility it is necessary. The greater the economic problems of the present and the near future, the more decisions must be made in a quandary, the more important it is to develop strategic goals and paths leading to them. If the strategy is not set ahead of time, the economic policy spanning a greater period of time will develop spontaneously by small steps taken one at a time.

As early as 1978 the government gave the State Planning Commission authority to prepare a new prospective plan of work aimed at the turn of

the century, approved this spring by the State Planning Commission. According to this work program the new prospective planning work will be more prudent, better founded and of a wider scope than in the past. In particular we can expect a great deal from the direct participation and critical activity of the agencies and institutions of the Hungarian Academy of Sciences. The planning work program is basically composed of four work divisions: analysis and preparation of prognosis, general preconception, conception of parts, synthesis and preparation of the final plan document. The government is expected to place the long-term plan oriented towards the turn of the century in the agenda of the first half of 1983.

Long-term national economic planning is directing attention to the relationships and processes of socioeconomic development and to their reciprocal effects, which will take some time to evolve, will require a protracted period of time to take shape and will be influential for a lengthy period of time. In view of the new demands of the changed world, we must perform our planning work more thoroughly and on a better basis than in the past, and long-term openness in planning and the ability to accept information must be increased.

It is necessary to apply different planning methods to the varied areas of the economy to achieve this. Wherever development requires a long period of time and its effect makes itself felt over the long term, planning must be able to designate with quantitative indices the long-term economic tasks and the conditions and instruments necessary to implement them. In other areas, mainly the competitive sphere in the narrower sense, that is, areas closely connected with the world market and able to compete in it, only developmental and attitudinal requirements can be shaped. This is related to the fact that in some spheres of the economy long-range planning will only be objective for a relatively short period of time, perhaps until the decade of the 1990's, while in other areas the goals must be established with ideas and figures oriented towards the turn of the century.

[Question] Can you isolate the concerns stemming from the conditions of the foreign economy, or those which can be attributed to the shortcomings and slow implementation of our economic activity?

[Answer] The central problem of our economic development at present is the condition of our national economic balance, the domestic consumption exceeding the national produced income and the excess import resulting from it. Our concerns are not of recent origin, but essentially extend back to the 1974-1975 years.

The main cause of the deterioration of this state of the balance in 1974-1975 was unquestionably the change in the world economic conditions, the reorganization of the proportions in the world market, which were very unfavorable for us. For example, because of the consequent deterioration

of our rates of exchange in foreign trade, the national income was undervalued by approximately 9 percent in 1975. Therefore the national income did not cover domestic consumption. Since 1975 our rates of exchange have continued to deteriorate. This year at 18-19 percent, and 20 percent outside of trade with the ruble, our foreign trade rates of exchange are even more unfavorable than in 1973. At this rate we lost some 220 billion forints in the 1974-1979 years, a period of 6 years.

The changes in the foreign economic conditions intensified and brought to the surface the current shortcomings of our economic development independent of them, along with those identified earlier. These were primarily the relative backwardness of the technical level and organization of production and its inadequate efficiency in comparison to the value judgments of the world market. It is obvious that our losses could have been reduced if production organization had been more modern, application more flexible and production more economical.

It is difficult to isolate the effects of the changes in the world market conditions from those flowing from the results and deficiencies of our work. For example, it is clear that our rates of exchange are hurt when the prices for imported raw materials rise. But if we produce from these raw materials more modern products of better quality and selling at higher prices, the harm can be in part or, possibly, entirely counteracted. On the contrary, if we manufacture products to be sold uneconomically and badly and export them, our rate of exchange will be hurt by them. The formation of the selling and buying process also depends on our foreign trade activity.

In the fifth 5-year plan, along with a slower increase over the domestic consumption of the past and the national income, we are making a change in production organization and efficiency our goal. In this way we hope to have exports rise essentially faster than imports, and the foreign exchange balance recover substantially by the end of the planning period.

However, the results of the part of the 5-year plan which has passed already do not meet all of our expectations in every respect. On the one hand the world economic conditions are deteriorating and worse than expected earlier. On the other hand the reorganization of production and improvement in efficiency and trade are slower than required by the situation. The state of the balance was unfavorably affected by the fact that in 1978 domestic consumption rose essentially faster than what was planned and than the national income, which caused a large-scale increase in imports and hampered the goal of increasing exports. We cannot attribute this to a worsening of world economic conditions. This is partially due to the fact that the exercise of economic policy and direction was not consistent enough, that it did not stimulate matters with an adequate change in economic conditions, and that it did not sufficiently oblige the enterprises to rapidly and flexibly comply with the national economic situation and with world economic circumstances.

The situation has already improved somewhat this year. As a result of changes in the economic conditions, exports rose rapidly in 1979 and imports increased little or not at all. Thus the excess in national economic imports is dropping considerably, and the loss occurring this year is tangibly less than that caused by deterioration in the rate of exchange in 1974-1979. However, the amount of the import excess is still significant.

Naturally we cannot basically change the world economic conditions nor neutralize the effects of the very momentous changes resulting from them. However, their unfavorable effects can be moderated by treating them flexibly. Moreover the economic balance can be restored by suitable development in the rhythm and organization of production and consumption. The results achieved in this respect are still unsatisfactory, and are not what is needed and possible. In future years we must make more progress in this area than in the past. We are designing the 1980 national economic plan and the sixth 5-year plan with these conditions in mind. Therefore we are modifying the economic regulatory system and preparing other necessary governmental measures.

[Question] One of the most mentioned instruments for increasing national economic efficiency is selective development. In addition to differentiation between enterprises, how is this principle realized in different branches of the national economy and within industry? Where is reduction justified and where is faster progress necessary?

[Answer] In connection with this topic, I must dispute several widespread views which in my judgment are incorrect.

First of all selective development cannot mean an exact preliminary freezing of development in the proportions between branches and industries. Branches and industries are planning and statistical units, definite groups of enterprises, although often not even homogeneous. Their developmental proportions take shape as a result of the development of the enterprises performing actual economic activity. It is correct that in the competitive sphere branch competition between enterprises develops according to their ability to operate and prosper much more efficiently in the market, including the foreign market, and consequently investment opportunities are divided among the individual enterprises, and thus among the branches.

Secondly, it is not realistic to presume that selective development will lead to the disappearance of complete branches and sectors. As far as we can define the concept, these are large units which, naturally in differing proportions, take their place in the economy of every country. In general the fixed assets of one branch cannot be used for the goals of another branch, and the total cessation of production would result in the appearance of an unacceptable need for imports, so it would be economically

unwarranted. But, as a result of selective development, the developmental rhythm of the branches is differentiated, and this can lead to a leveling off or reduction in production for some of them.

Thirdly, an important element in selective development is a setback or possible disappearance of the production of some articles, groups of products or manufacturing branches. But this is not merely a question of resolutions and decisions. Since there is a sound demand for this production, it can only be reduced or eliminated if the demand can be definitely satisfied at a lower cost through imports or through the production of other enterprises of the same capacity, especially if suitably salable export products can be manufactured with a value greater than the value of the imports which have become necessary. If this is impossible or if the costs of reorganizing the facilities are disproportionately high, the job is to make production economical. It can also be seen from this that the intensity of developmental selectivity is closely associated with the realistically possible rate of expanding economic relations with other countries and the rate of collaboration in socialist economic integration with the CEMA countries.

Finally, let me mention that in coming years we want to develop the area of selective development dynamically to include, among other things, drugs, insecticides, intermediates, some components and parts for the machine and electronic industries, and the manufacture of machinery necessary for energy production and servicing. Ideas with a firm basis have only been developed so far in a narrow sphere of declining production.

[Question] Can the areas developing more dynamically and the developed areas be supported by their own resources and means?

[Answer] It is natural, for example, that dynamic development in the infrastructure, in energy and in some areas of the production of raw materials cannot be implemented if the directive organizations concerned can be supported only by their own income. Now, if the national economic plan deems it necessary, the state can guarantee the resources necessary for investments. The question clearly concerns the sphere of economic competition and the traditional area of effectiveness of the economic regulatory system.

The modification of 1 January 1980 in the price and regulatory system is aimed precisely at forming a duly differentiated profit for individual enterprises according to their efficiency measured in terms of national economy and world markets, and on this basis the enterprises will develop more economically wherever increasing income makes it possible.

In the modified price system the profit generated in the domestic prices of some processing enterprises will be a function of enterprise export efficiency. In early 1980 price preferences will be implemented, and backward areas will share support for structural development, but these

resources will gradually disappear. Thus the efficiency-indicating function of profit will be further strengthened. Our tax system will not reduce the differences developing, and the developmental opportunities of the more profitable enterprises will also be enhanced by the fact that a relatively smaller budget payment will be levied on their participatory base.

We believe the price and regulatory system from 1980 on and in later years will continue to produce due differences between the results of individual enterprises. First of all, the higher incomes are produced where there is an economic possibility of export-oriented development or, in its interests, better satisfaction of demands in the domestic market.

Along with adequate profit management, the enterprises will naturally have a method for requesting credit in anticipation of their own growing resources. The role of interbranch credits promoting the existence of credits and particularly of convertible export capacity will increase in the future in financing enterprise investments.

In addition to what has been said, efficiency will aid the rapid development of enterprises by our introduction of the state basic benefit system for very profitable undertakings in cases where a given enterprise does not have enough financial resources of its own for modifications, because they are tied up in other similar economic developments. Along with this there will be supports for extension, for example in promoting the completion of agreements favorable for our country and evolving in the area of CEMA-collaboration, although they would not be as profitable as they should be for the enterprises because of prices.

[Question] What is the outlook for energy consumption in the Hungarian economy in the next decade, and where will it come from?

[Answer] In predicting and planning energy consumption we begin with the fact that the crude oil price explosion occurring in 1973-1974 opened a new era in the energy management of the world. This year the price of crude oil again increased significantly. Thus the era of cheap energy has come to an end.

Every country of the world, including ours, in addition to facing new energy prices, must firstly use productive energy sources economically and secondly strive for thrifty usage and moderation in specific energy requirements.

Amid the new circumstances it is not possible to predict or indicate the pattern of energy consumption. The one-time (investment) and continuous (procurement) expenditures associated with energy usage have risen to such an extent that it must be considered the major factor in planning the rate and organization of economic expansion. In this respect special interrelationships hold sway, so we can influence increased energy consumption consciously and deliberately.

Because of what has been said, the rate of economic expansion in the coming decade will be more moderate than in the past. In modernizing the production network we have resolved to reduce energy requirements as our main emphasis. We are currently toiling over the energy management program which will deal with developmental, organizational and economical measures promoting moderation in the expansion of energy consumption during the sixth 5-year period.

In view of the above it now appears that a moderate increase of 2.6-3 percent in fuel and 4.8-5.2 percent in electrical energy needs can be planned for the next decade.

With respect to sources of energy consumption, we must reckon with the fact that, different from past tendencies, imports from the CEMA countries can only increase slowly, and therefore it will be necessary to reduce the proportion of imports and raise the proportion of domestic production. In the coming 5-year period, the importation from the Soviet Union of crude oil and petroleum products, as well as natural gas, will rise by a predictably small extent. Electrical energy imports will also increase from the Hmelnyiski Nuclear Power Plant being built with the collaboration of Hungary and other countries.

For geological reasons domestic crude oil and natural gas production cannot be increased. Therefore by the end of the 1980's, we can increase energy consumption by using such domestic resources as the atomic energy from the Paks Nuclear Power Plant, the electrical energy produced in the Bicske Thermal Power Plant, and by utilizing industrial and agricultural wastes, as well as through increased demands for geothermal energy.

[Question] In essence, belt-tightening years are approaching. If the changes in the Hungarian economic organization proceed in the right direction, when do the planners think we can again loosen our belts?

[Answer] Let me start by saying that I do not like the terms correct and exact, and not because I have bad memories of faulty economic policies. We are facing a complex task, if I can thus designate the years ahead of us. The basic goal now is to improve the state of the economic balance, and this will remain the central element in the economic policy of the next few years. Well, if we knew that the amount of material goods used domestically this year would be several percent higher than we produced, even after the measures which have been taken, we could say: We have loosened our belts and have excessively enlarged the possible and expedient areas of consumption. This is why our main goals are the establishment of more harmonious proportions between production and consumption, and improvement in the general state of the balance, and we are subordinating all other elements of the economic policy to them. These include the rate of economic expansion, the main proportions of domestics consumption and the goals of the standard of living policy and of economic development.

According to international economic and market judgments made for the present and future, the organization of our economy and the results of our management are not adequate. Economic development is also impeded by the shortage of labor, the increase in demands for production tools, and the difficulties in the conditions of raw material procurement. Therefore we must count on the rate of quantitative expansion of production remaining moderate in coming years. This forms more favorable conditions for our progress toward the qualitative characteristics of production: in the development of the technical level and organization and in the reasonable use of labor.

The main task, particularly in the processing industry, but also in agriculture and the raw material industry, is to improve economic efficiency and competitiveness. The manufactured products, which are suitable economically and in the long run for any market, can be marketed at a good price. The requirement for this is for us to comply flexibly and rapidly with the demands of consumers.

However, the economic balance can only be restored if we do not increase, or increase only slightly and temporarily, domestic end consumption including housing expenses and investments at a slower rate than the moderately rising national income. Therefore for several years we must reckon with a maintenance of the living standard, or an increase at a very modest rate, and stagnation or possibly a temporary reduction in investments, followed by a slow increase.

We can achieve a restoration of our national economic balance within a few years by more flexible attention to changes in foreign trade conditions and the demands of foreign markets, and by the above-mentioned shaping of domestic consumption. But after all this we cannot imagine a relaxation freeing us from the requirements levied with respect to production.

The dynamic rise in labor productivity, the thrifty use of resources and materials, an increase in production and modernization, competitiveness and thus efficiency, and the development of production organization remain permanent tasks.

After restoring the foreign trade balance, but only if foreign conditions are not again deteriorating significantly, it will be possible for us to raise domestic end consumption at a somewhat faster rate than in the next few years and at a level close to the national income. However, it must be stated frankly that the rate of development experienced earlier, for example between 1968-1974, can probably not be attained since the investment stagnation or slow increase lasting several years will prevent more than a relatively moderate increase in the national income for a long time.

Meaning of Selective Development

Budapest HETI VILAGGAZDASAG in Hungarian 10 Nov 79 p 4

[Text] We pick up words and expressions and often we do not even know exactly what they cover. This often happens, for example, with the term selective development. A technical knowledge of this concept can promote a more fundamental understanding of major interrelationships.

Selective development is one of the main instruments in increasing national economic efficiency, including a rise in the competitiveness of production. In this area, because of modification in the organization of national economic needs and particularly as a function of the intensification of our participation in the international division of labor, the production of various products, groups of products, manufacturing branches and so on will essentially develop at different rates or will decline. The technical level of production will increase dynamically; the proportion of exports in manufacturing will increase, as will the proportion of imports for domestic consumption. Selective development is successful when modern and economic, and thus competitive, production develops vigorously, while production which does not meet these conditions will develop slowly or not at all, and depending on the situation may decline or disappear.

Thus selective development or improvement can lead to a transformation and modernization of the production organization. The national economic plans determine its main directions and criteria, as well as the developmental instruments and the rate of production increase of the major economic branches, industry, construction and agriculture. On the basis of long-term planning they designate the areas where a centralized program is being elaborated and delivered for vigorous development.

The medium-term national economic plan contains the decisions on major organizational modifications in the national economic branches. In the case of particularly significant developments it determines the planned order of magnitude of production and the extent of state instruments necessary to fulfill it. Decisions with respect to organizational modifications are prepared and supported by developing and discussing concepts. In the processing industry the national economic plan designates the basic directions in selective development and in modifications in the production organization. It is mainly the formation of economic regulatory instruments and the enterprise decisions based on them which are used for implementation. These decisions are also given orientation by credit instruments, by state support in individual cases, and also by the conceptual ideas of state agencies.

In coming years economic regulation will have an increasing role in the selective development of production. Along with a tightening of the standards for income regulation, the degree of enterprise profitability in the price system valid from 1980 on, and thus the extent of developmental resources,will depend more and more on our efficiency with respect to world market value judgments. This will enhance differentiation of development in the individual enterprises, between the individual products, groups of products and manufacturing branches, and among the enterprises, and will promote, motivate and even compel more vigorous development of modern and economic production, and will squeeze out outdated and wasteful production.

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MINISTRY HELPS ENTERPRISES IN PLANNING WORK

Budapest FIGYELO in Hungarian 2 Jan 80 p 3

[Article by Dr Istvan Kovacs: "Metallurgy and Machine Industry; Serving Enterprise Planning"]

[Text] Planning work of machine industry enterprises is now concentrated both on the definition of 1980 plan targets and the formulation of the main directions of the Sixth Five-Year Plan. The Ministry of Metallurgy and Machine Industry plays an important role in providing the basis for this planning work.

It helped in the preparation of the national economic plan by formulating the fundamental concepts of development for the 1981-1985 and supplying information to enterprises.

The development strategy of the sector is based on a slowdown of economic growth during the period of the Sixth Five-Year Plan which is also reflected in machine industry production; more limited opportunities for expansion of assets; a need for more differentiated utilization of development resources. We are expecting a further decline of the workforce. No possibility exists for a dynamic increase in imports, particularly material imports, from ruble areas. Development must be carried out in a way which insures that the export capability of the sector corresponds to stricter competitive conditions in international markets with regard to the quality, sophistication and structure of production.

The Role of Exports

It is therefore especially important in formulating development goals for the machine industry to utilize resources in an efficient, concentrated manner, to achieve structural changes and increased yields, as opposed to mere quantitative growth. Slower development rates must be coupled with a strongly selective approach.

One immediate consequence of selective development is an increased sensitivity to foreign trade and an increasing role for exports in total machine industry sales. This will lead to important changes in the distribution structure of the machine industry: due to increasing exports, domestic machine industry will have a reduced share in supplying domestic consumption. Domestic production and delivery of capital goods must be set at a level which ensures that assembly and delivery of general purpose machinery will increase while preserving their domestic structure.

An important factor in the modernization of production and export-oriented development is the creation and growth of "backup" industries supplying economic substitutes for imports and improving the economic parameters of our product scale. To encourage this trend, it is necessary to become more active in discovering and utilizing opportunities for specialization and cooperation with CEMA countries.

Future development of foreign trade relations is predicated upon planned long-term expansion of cooperation with CEMA countries, especially the Soviet Union. Despite all of our efforts, the bulk of Hungarian machine industry exports to capitalist countries does not go to the most demanding markets. Cooperative ventures based on the purchase of technology, licences and know-how will continue to expand product deliveries. Here we must work toward a positive balance. The importance of developing countries is demonstrated by the fact that the bulk of non-ruble export income (two thirds) comes from there. It is especially important to further increase sales of complete installations, e.g., medical or educational institutions and complex systems, in developing capitalist markets.

The non-ruble export ability of the machine industry is limited by the fact that, except for certain products of world trade quality (e.g., major motor vehicle components), the quality and sophistication of the majority of our machinery are below the requirements of the world market. This has an unfavorable effect on sale prices. The establishment of spare parts and maintenance organizations and their incorporation into international marketing and service networks are proceeding slowly. Only 15 percent of exports to highly developed capitalist countries and 5 percent of imports consist of cooperative products.

As part of the planning process, the GKM [Ministry of Metallurgy and Machine Industry] carried out the classification of the product structure of the machine industry, based on technical and economic criteria. Based on this study, one finds that 21 percent of total production is up to international standards. The share of products which are insufficiently up-to-date but may be brought up to competitive standards is 24 percent of total output. 34 percent of production consists of low efficiency products. For the time being, it is necessary to continue making these products, in spite of the economic disadvantages, due to the lack of suitable substitutes.

The proportion of uneconomic production that should be eliminated is 19 percent. These products cannot be made competitive. Therefore, it is urgently necessary to reduce production that cannot be made economical and to formulate plans to achieve this on the basis of international cooperation opportunities.

Within each development direction, it is necessary to reduce the scope of manufacturing sectors and product groups whose share in machine industry production will grow at the fastest rate.

Based on proposals regarding the main directions of production development, the central areas of product structure development are as follows: agricultural and food industry machinery; equipment for the production, distribution and utilization of energy; certain fields of the electronics industry; buses and major subassemblies of motor vehicles; machine tools and certain consumer articles; backup industry components and subassemblies. This area, however, must be expanded because it is necessary to improve the competitiveness of a wide range of products in order to increase exports. It is also necessary to achieve substantial internal structural changes in manufacturing sectors whose rate of growth is average within machine industry as a whole. This is needed in order to substantially improve the efficiency of machine industry in view of the fact that these manufacturing sectors produce almost two thirds of machine industry output and export product base.

According to studies completed to date, selective "winding down" of production will be possible in the following areas: fixed internal combustion engines, power machinery and boilers, agricultural machinery, electric consumer articles and components, mass-manufactured metal consumer articles and industrial telecommunications products. Capital goods and manpower freed in this manner should be gradually redirected to manufacturing sectors subject to development.

One problem with selective development of the machine industry is that, according to current estimates, development funds are sufficient merely to cover the costs of preserving current levels of production. Enterprises have a limited access to the resources necessary for more extended modernization of their production structure. Therefore, enterprises must improve the utilization of fixed assets and place greater emphasis on reconstruction, as opposed to investment projects.

Sector Development Guidelines

In conjunction with the formulation of guidelines for the sector, the 25 major enterprises prepared their preliminary development goals for the period of the Sixth Five-Year Plan. The share of these enterprises represents 60 percent of production, 63 percent of ruble exports and about 68 percent of dollar exports. Thus, the sample is suitable for generalization to the whole machine industry sector.

As a "service" to enterprise planning, the KGM evaluated the projected economic development during the 1976-80 plan period, summarized the goals and major tasks to be accomplished during the Sixth Five-Year Plan, collected all higher level resolutions concerning the planning process for the Sixth Five-Year Plan and provided comparative international analyses completed to date.

Enterprises formulated preliminary development concepts during the first quarter. The ministry evaluated these and organized consultations with the participation of representatives of planning organizations on the national economic level concerning preliminary development plans and, where necessary, joint action on the part of enterprises engaged in cooperative ventures.

The characteristic features of preliminary development concepts prepared by the enterprises are as follows: a tendency toward overheated investment, low efficiency (occasionally stagnation, even decline), insufficient capitalist exports without required market foundations and an effort to increase ruble exports at an even faster rate. Planners' attitudes are characterized by the expectation, by several enterprises, of special treatment in almost all areas of development. There are few among the preliminary plans that seem feasible within the framework of the new system of economic regulators. The majority of enterprises formulated their preliminary plans within a framework that is in accordance with relevant guidelines; however, few of the development plans are based chiefly on locally available resources. The development projects included in the preliminary plans were mainly those that cannot be implemented without central subsidies.

The preliminary plans of the enterprises disregard market limitations. As a consequence, they envisage development projects where a suitable market background does not exist. This is a sign of deficiencies in the quality of market forcasting within these enterprises. Another widespread phenomenon is the overly general character of proposals for the development of marketing and trade activity; the attached sections on planning do not reflect complex measures which are realistically needed in order to implement these planned goals.

In the opinion of the ministry, such overly expansive machine industry development plans cannot be supported, in part because the majority of these enterprises implemented substantial development projects during the current plan period; on that basis, their full capacity will provide for dynamic growth during the first half of the Sixth Five-Year Plan. The enterprise plans do not contain alternative options in case of certain unfavorable economic contingencies.

In the case of most enterprises, the value calculated at base prices and at current prices are in close agreement. This indicates that the enterprises made little or no distinction between the two prices in their planning. This also points to deficiencies in price planning.

One also finds that the degree of cooperation between separate enterprise organizations (factories) in formulating a unified enterprise plan is unsatisfactory; the same is true with regard to cooperation between planning organizations and the management of enterprises. Plans were inconsistent; agreement between the various processes and the various chapters was lacking.

Another weak point of the preliminary plans was in the area of technological development. Therefore, it is necessary to include employees engaged in technical development in the planning process and to establish agreement between development goals and interests in the areas of marketing and engineering.

What Is the Contribution of KGM?

The aim of the "services" provided by the KGM is to ensure that the plans of enterprises provide for development on the basis of realistic, sound demand and that production growth be aimed primarily at expanding exports. Selectivity must be increased with regard to both development targets and product structure. Plans must include suitable measures to accomplish this. Hidden resources, including the tools of production and labor organization, must be discovered in order to reach these goals.

Marketing and production goals must be supported by suitable calculations regarding economic efficiency, based on realistic price forecasts. The complexity of planning must be improved, especially through the strengthening of the economic outlook.

Enterprise plans pay special attention to the transformation of the product structure. In this area, two factors may be seen clearly: there is very little negative selection, i.e., very few products and a very small percentage of production is slated for elimination; also, most machine industry enterprises tie their structural transformation to large scale investment. They are not considering the possibilities of structural transformation less dependent on investment. As a result, despite the presence of substantial structural change in the development plans of enterprises, their implementation is doubtful precisely because of the limited opportunities for investment.

The major machine industry enterprises formulated several variants for their investment projects. The projected investment need varies between 50 billion forints based on more conservative variants and about 60 billion forints based on the maximal variants. However, both versions are unrealistic.

Due to general problems of enterprises, some enterprises planned investment projects without the use of any local funds; other envisaged a rescheduling of obligations or other types of preferential treatment. There were only two enterprises (the Lang Machine Factory and the Hungarian Cable Works) that did not plan to get loans; the rest calculated on the basis of a 30 percent role for disposable local funds. In the latter case, the problem is that

this 30 percent will require the use of their entire local funds. Since small investment projects and the preservation of existing production levels must be ensured, one has reason to doubt that the generation of the local funds postulated by the plans will be possible.

An analysis of the relative role of construction vs. machinery in investments shows an increase in the share of construction. This is due in part to rising demand for infrastructure and building reconstruction and in part to the implementation of social investments postponed in the past.

In machinery investments one detects a trend toward domestic or ruble area machinery acquisition; however, the demand for the purchase of machines from non-ruble areas is still relatively large (about 45 percent). Therefore, in the future we must study whether the demand for domestic machinery is sufficient or whether the purchase of machinery from ruble areas may possibly be increased.

In planning for the starting date of investment projects the enterprises were mostly realistic in terms of available opportunities. In the case of some investments, however, preparatory work should already have been started in order to ensure that the investment project is completed on the projected date.

International cooperation aspects of production and development plans were not formulated by enterprises with sufficient care. Plans are mechanistic and they encompass well-known areas some of which are already in preparation. This means that enterprises do not incorporate international cooperation into their plans.

Manpower Planning

Enterprises were somewhat more careful than in the past when planning for their manpower requirements. Manpower trends in major machine industry enterprises point toward essentially constant manning levels or some manpower reductions amounting to a few tenths of a percent. Since a substantial part of investment is concentrated at major enterprises, the total picture is unsatisfactory. The trend shows that investments will not result in a sufficient increase in productivity.

Some enterprises are planning for increased manpower levels, even though the economic situation of the enterprise does not justify this. Based on long range projections, machine industry production should increase in conjunction with a downward trend in the number of employees (about 15 percent decline in 10 years). Consequently, enterprises must work for a closer agreement between jobs and the labor force. The number of auxiliary workers and office staff must be reduced. Labor freed by the elimination of unprofitable production should be reassigned to more modern and more profitable activities.

Plans regarding manpower training present a more favorable picture. The majority of enterprises intend to assure the supply of specialists by strengthening the training of skilled workers and improving retraining, in addition to relying on the usual forms of state education. In this connection, some enterprises formulated comprehensive plans (e.g., the Medicor Works are planning to set up their own educational center).

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PERFORMANCE OF MACHINE INDUSTRY BACKUP INDUSTRY ANALYZED

Budapest FIGYELO in Hungarian 2 Jan 80 p 5

[Article by Dr Andras Roth and Imre Zador]

[Text] An important task of the machine industry is the manufacturing of the means of production for all other sectors and, of course, for its own needs. Thus, in this sense the machine industry serves other sectors.

Components and Subassemblies

Throughout the world, machine manufacturing developed in the direction of a machine assembly industry, i.e., the large enterprises that make increasingly complex and complicated machine industry products are engaged only in product assembly and the manufacturing of a few components or subassemblies which require special expertise. These economic units concentrate their efforts on improving the technology incorporated in their products, market research and customer service, etc. In the design and manufacturing of products, they rely partly on general purpose off-the-shelf products, sub-units and components (e.g., hydraulic units and systems, pneumatic units and systems, roller or slide bearings, plate clutches, etc.) and partly on a network of specialized companies contracted to perform customized services. The latter group includes manufacturers of semi-finished products (e.g., castings, powder metallurgy and plastic parts, forged articles) who ship their products in a processed and pre-assembled form, ready to be assembled into the final products, as desired by users. The products of these vendors, whether off-the-shelf or made to customer specifications, are quite often complex products, instruments, complex machine units, electronic products, etc.

By "specialized" we mean an enterprise that possesses an optimal knowledge of the marketing requirements relative to a group of products, in terms of technical competence, quality and quantity; has a full control of architectural and technological problems as well as the efficient use of its products. One of the most important benefits of this type of specialization is that the technical advice of vendors makes it easier for the user to solve a number of structural and technological tasks, thereby contributing directly to improved work efficiency.

This interpretation of "specialization" differs from the standard usage within CEMA. The latter does not imply the above criteria; it merely expresses that individual countries (not enterprises) undertake to manufacture or, perhaps, supply certain product groups.

The machine industry backup industry means the network of off-the-shelf vendors and specialist enterprises. Without them, enterprises making finished products are forced to make their components themselves.

The importance of this backup industry in terms of the flexibility, efficient and economical production of the machine industry cannot be overemphasized. A number of studies published in recent years point to this fact and to our backwardness in this area. For example, an article titled "Machine Industry Productivity by International Standards" published in the 17 October 1979 issue of FIGYELO says: "Due to the lack of structural components, the Hungarian machine industry is forced to make almost all of the structural components required for its products (there is little specialization even within the country).

Misleading Calculations

Under existing conditions, the enterprises of the Hungarian machine industry are unable to stop even the most unprofitable manufacturing operations--which could substantially improve productivity by itself--, since the structural components in question are indispensable and, at the same time, difficult to obtain on time and in good quality."

There were cases when future users of products designated to be produced by specialist enterprises argued that the components they make are cheaper than those bought on the outside. This argument, however, has always been rather dubious, in part because production cost calculations are unreliable, and in part because the enterprises failed to look into the possibility that by concentrating their talents and material resources fully on their strategic goals and buying the necessary components on the outside (perhaps at a higher cost) they could improve their technical quality and economic results.

It is gratifying to see more and more enterprises recently becoming aware of the fact that they are unable to make it under increasingly harsh competitive conditions without purchasing components and subassemblies of a sufficiently high quality.

Recognition of this fact has led, in the past two or three years, to a substantial acceleration of the work aimed at the establishment of a backup sector for the machine industry. Among its guidelines for the Sixth Five-Year Plan, the OT [National Planning Office] called for the formulation of a development program for the manufacturing of general purpose parts and components for the machine industry and the production of electronic components. The OKKFT [expansion unknown] is also preparing a program of research and development groundwork for these product groups.

Central authorities cannot aim at the development of a complete backup sector (thousands of types of products), either in the short or the long run. But we have the opportunity to adopt central measures which select the central tasks, capable of solving the most urgent problems of the processing industry at the present time (and also in the near future), or at least can improve the situation over a more or less extended period.

The main goal of the formulation of such a program is to provide an opportunity for rapid, flexible and continuous transformation of the production structure. Designers working in enterprises making complex products will be able to rapidly modify their products in accordance with market requirements, or design new products, if they can purchase most of the components on the outside. Thus, the long range goal is to create a buyer's market in semifinished products, components and subassemblies. The more immediate goal is to satisfy at least the most pressing demand for a well-selected group of these products, in terms of quantity, technical quality and, when possible, product selection.

Development of parts and components production will increase our direct export opportunities because these products are in increasing demand in the world market. They are likely to be easier to sell than complex products, since the latter have a relatively smaller number of potential customers, whereas parts and components are bought by many users.

Fundamental Requirements

The desirable development policies differ for semifinished products on the one hand, and parts and components on the other.

There are no large scale quantity shortages in machine industry semifinished products; in fact, we have some spare capacity in certain areas (e.g., drop forging). In this field, the main task is to improve precision (correct shapes, tolerances, etc.) and to introduce or increase the production of materials made necessary by the development of the machine industry. Although these materials are more difficult to manufacture, they provide better quality and make it possible to build machines using less materials and less labor. Among these are spherical graphite and precision castings and cold-cast parts.

The situation is completely different with regard to the manufacturing of general purpose parts and components for machine building and electronics. Here, the technical level and quality of products are, in general, quite low; the quantity and selection of products are also far from satisfactory.

Therefore, it is necessary to develop rapidly and efficiently the manufacturing of parts and components, primarily by means of licence and manufacturing process purchases. On the other hand, we must rapidly create development and production capacities to supply the domestic market with products of suitable quality and selection, even for exports.

The products in question involve hundreds of product groups and more than 10,000 separate items. Therefore, it is necessary to impose rational limitations on the selection of products to be manufactured and used. The most effective way to achieve this is by publishing suitable catalogs, organizing a wide range of customer service centers providing technical advice, and in some cases by standardization. The fundamental requirements with regard to parts and components production development are as follows:

--the technical quality of domestically made parts and components should be up to the standard of products sold in the world market;

--the selection should correspond to reasonable needs of our domestic machine industry;

--Specialized enterprises should have sufficiently large production runs to make it possible to use up-to-date technology, thereby ensuring economical production and high quality products;

--domestically produced parts and components should be available at any time (with short delivery times or out of stock) and be easily obtainable by users.

It is clearly uneconomical for the Hungarian national economy to manufacture each product type, or even all product groups. Not to mention the fact that such a product spectrum cannot be covered by existing intellectual resources and the material resources necessary to create these manufacturing capacities are also limited. Therefore, we must be part of the division of labor in the world market of domestically making those products that are needed in the greatest quantities and can be manufactured profitably, exporting quantities above domestic requirements and importing those that cannot be produced domestically.

Reserves of the Division of Labor

Division of labor within CEMA, as it related to parts and components production, is unsatisfactory. Among other reasons, this is due to the fact that the mechanism of the CEMA and, in particular, the natural character of decisions relative to specialization and the weaknesses of relations between enterprises do not provide any incentives for productive enterprises to increase their product scale in the area of parts and components or adapt to existing demand in a flexible manner. One must also realize that other socialist countries are also struggling with the lack of parts and components. Since it is in our best interest to widen international division of labor in the area of components manufacturing, we must concentrate on strengthening relations on the enterprise level.

In recent years there has been a substantial (and sometimes unjustified) increase in capitalist imports of parts and components. On the other hand, there was a welcome increase in purchases of foreign licences and know-how,

often combined with production cooperation. Domestic supplies suffer from a situation where domestic producers who bought licences and know-how sell that part of their production which is in excess of their own needs to their capitalist partners, at a time where domestic users are forced to import. It is sensible to combine licence and know-how purchases with production cooperation because this guarantees the continued improvement of technical quality. It is preferable to build capacities that are capable of supplying the needs of domestic users of parts and components and export the production in excess of those needs.

One must also point out certain doubts expressed, with some basis in fact, toward the development of the backup sector of the machine industry by central planning methods.

It is beyond dispute that solution of backup industry problems require a stronger role for the effects of market competition. The extent to which this will happen will depend, to a substantial extent, on the modified system of regulators. This is also taken into consideration in the guidelines of KGM and OMFB [Ministry of Metallurgy and Machine Industry; National Technical Development Committee]. In our opinion, however, there will also be a need for the use of "traditional planning techniques" since, without these, it is difficult to see how to generate the large scale movement of capital necessary to achieve substantial change in the present situation.

Expansion of the sphere of small and medium size enterprises could clearly bring some relief of our problems. One should not, however, overestimate the role of these enterprises in general or in relation to the development of the backup industry. In this regard, let me quote a statement from an earlier OMFB study: "In Hungarian machine industry there is a much smaller number of small and medium size enterprises with characteristics that make them capable of supplying not too complex products of suitable quality in a flexible manner by adapting to current demand.... Small and medium scale enterprises and cooperatives do not play the same role in our domestic division of labor that similar size companies do in capitalist economies. The position, dependence on larger companies, market behavior and goals of Hungarian small scale machine industry enterprises differ significantly from those of small capitalist companies: the former are much closer to the characteristics of large enterprises.

Hungarian regulations, whether economic or not, do not make important distinctions between small and large enterprises. Where a difference does exist, its unfavorable effect on small enterprises is much smaller than the differential effects operating in capitalist economies and capitalist markets.

In our country there are no constraining forces such as those that affect small enterprises in a capitalist economy. But those economic effects and rules that equally affect our small and large scale enterprises act in the

direction of in reased independent production of goods, instead of improved efficiency through specialization. (Development of Domestic and International Specialization in Hungarian Machine Industry Production, OMFB, 1975).

The question whether the development and organization of the manufacturing of a certain product should be done in a small, medium or large scale enterprise is determined by market conditions, the sophistication and complexity of the product and the optimal technology to be applied.

When parts and components are made by large scale enterprises it is sensible to form divisions with independent accounting; the only source of income for these divisions should be the manufacturing of suitable quality prefabricated products, parts or components.

The transition to this special manufacturing of existing units must be suitably prepared. Only part of existing machine capacities can be transferred to making the product group in question; in any case, part of the means of production must be invested toward the new goal. Possibly an even greater problem is posed by the transition, buildup, development and sufficient preparation of existing human intellectual resources. Conversion of productive capacities is a necessary and feasible process, but one must realize that it will require substantial resources and take considerable time.

Knowing the present situation of the backup sector of the machine industry, one cannot expect that automatic incentives to manufacture these products will appear at the moment the new system of regulators comes into effect. It seems necessary for the ministries and other organs involved to encourage the development of this production sector by using opportunities offered by normative regulation.

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LONG-RANGE LIQUID FUEL OUTPUT DESCRIBED

Warsaw PRZEMYSL CHEMICZNY in Polish No 7, Jul 79 pp 334-336

[Article by Jerzy Chachulski, Catalytic Processes Division, Petroleum Technology Institute in Cracow: "Liquid Fuel Output Prospects in Poland Through 1990"]

[Excerpts] Projected demand of the national economy for liquid fuel is presented. Existing possibilities for substitution of crude-oil liquid fuels by products of coal processing are discussed. Trends in efforts geared toward efficient use and quality improvement of motor fuels are indicated for the period through 1991.

The Domestic Situation

As currently known, Poland has no prospects for discovery of significant crude oil deposits of vis-a-vis the country's demand. Our basis will therefore be in imports of this raw material. This should be kept in mind when studying the problem of meeting demand for crude-oil refining products over the long-term, with due consideration of not only the necessary savings in crude oil quantity but also with regard to overall economic calculation of power outlays expended on oil processing and recovery of consumed energy.

Crude oil processing in Poland is kept on an economically justified level (nearly 25 percent of crude oil is used as heating oil), significantly superior to that of Western Europe (42 percent). Similarly, in utilizing crude oil as a chemical raw material Poland ranks among those countries that properly use this material with a high hydrogen-to-carbon ratio.[5] If, however, the per capita quantity of refined crude is adopted as a reference point, Poland with its annual 0.5 ranks last among the CEMA countries, in which this index is 2 to 3 times higher[6], thus turning into an illusion the satisfactory assessment of refining level or chemical development indexes.

The required processing of crude oil should, in my opinion, have trends and proportions indicated in the table.

As seen from this data, crude oil conversion into liquid fuels represents the use of the bulk of this primary material: 78 percent in 1980 and in 1985, and 76 percent in 1990. Projected demand for these fuels will, of course, substantially increase. In general, this increase should be twofold and, for liquefied petroleum gas, even fourfold between 1980 and 1990.

In 1980, a part of the demand for crude-oil processing products will have to be covered from imports, although economic efficiency of crude oil processing is indisputable.[7] Regardless of the standards to be applied in implementing crude-oil processing development plan, it is necessary to seek utmost thrift in the management of potential and acquired quantities of liquid fuels.

Along with the type of processed raw material that decides about quantities and characteristics of products, economic efficiency of refining is also influenced by what combination of production engineering techniques is applied. Power outlays expended in refining processes (converted into percentages of consumed crude) are shown below:

distillation	2.5
catalytic reforming	8.5
desulfurization of distillates	2.5
thermal cracking	7.0
catalytic cracking	6.5
hydrocracking	25.0

Two basic motor fuels obtained by crude oil refining contain smaller amounts of energy than did the primary material: diesel oil has 91 percent of primary energy, and motor gasoline 85 percent of primary energy.

In order to establish a proper flowline chart for crude oil refining, attention must be paid to demand for end products and their quality defined by engine requirements and envirnomental standard as well as to poer outlays and productivity rates characteristic of production engineering techniques being applied. Consideration of different possibilities for crude oil refining and management requires the use of computer programs to apply suitable optimization criteria.[9]

There are no production engineering techniques for heating oil production in Poland, as these oils are made by way of waste recovery in crude oil refining. The major components are vacuum and refining residues, rectified by additions of diesel oil fraction (from catalytic cracking of water desulfurized distillates). Little will be changed in this area by increased crude oil refining,

as heating oil production is not its purpose, and it would be costly to introduce a technique for upgrading heating oil. Nor is it feasible to obtain significant quantities of carbon hydrogenated products of primary tars by 1990. The only solution, though one economically uncertain, is in selecting suitable grades of imported crude in order to maintain the increasingly stringent for environmental reasons quality parameters of heating oils to be made in the future.

In liquid fuels, broadest possibilities for change in quality and for quantity savings are available in motor fuels, primarily motor gasolines for spark ignition engines.

In producing components for motor gasolines, domestic industry employs modern engineering techniques: aqueous desulfurization, reforming, catalytic cracking and alkylation. Apart from the need for modernization of particular solutions, this combination of techniques is sufficient to assure production of motor gasolines for suitable quality.

In relation to world trends, our domestic motor gasolines show (and will increasingly do so in the nearest years) adverse traits, including low percentage vaporization to 70°C and 120°C, high temperature at the boiling point, fairly high sulfur content and high olefin hydrocarbon content. This is due to the use of light fractions in pyrolysis, inadequate power of desulfurization installations, including catalytic cracking charges, and, most important, limited crude oil refining.

During the period under analysis there will be a shortage of motor gasolines that could be mitigated by introducing in their composition substitutes, obtained by low-temperature carbonization of bituminous shales and coal shales or extracted through coal liquefaction and by synthesis of methyl from coal gasification. Industrial-scale methanol synthesis has been developed domestically. Its refinement is only a matter of time, and quantities of methyl alcohol made available for motoring is dependent only on investment capabilities. Methanol has poor solubility in motor gasolines largely lacking aromatic hydrocarbons. What is termed "water tolerance" of such mixtures is inadequate, which, in turn, calls for production development of solubility-increasing agents (e.g., isobutyl alcohol or methyl-t-butyl ether) that prevent stratification in fuel mixes due to trace amounts of water.

Low-temperature carbonization processes, though familiar, are not utilized domestically. There is a lack of facilities able to assure the processing of raw materials in quantities warranting significant yield of primary tars. Low-temperature carbonization of bituminous shale and coal shale leaves mineral residus, accounting for 70-90 percent of dry charge. Its industrial utilization (e.g., as construction material) is largely unconfirmed and no production techniques are available for turning them into end products.

Coal liquefaction by hydrogenating extraction, and by further hydrogenation of the extract, is only in the research stage both in terms of process organization and engineering, so that it cannot be viewed for the next 10 years as a source of motor gasolines to make the balance.

Table. Demand for Crude Oil Refining Products (in million tons per year)

Category	Year		
	1980	1985	1990
Petrochemistry	2,1	2,3	4,1
Grease oils	0,8	0,9	1,1
Asphalts	2,4	3,6	6,0
Total	5,3	6,8	11,2
Liquid fuels	18,3	24,5	36,3

Fuels For Self-Ignition Engines

Output in diesel oils made from currently processed quantities of crude does not meet domestic needs. Since there will be a greater increase in demand for those oils than for motor gasolines, that shortage will intensify at planned levels for crude oil refining.

Substitution of diesel oils has even more limited possibilities than does substitution of motor gasolines. The former is curbed by required cetane number which can be altered only by means of additives facilitating self-ignition. The range of diesel oil components can be supplemented only from the same sources as those for motor gasolines (low-temperature carbonization products and hydrogenated products), but prospects for the next decade offer little to alleviate the shortages.

Domestic refinery industry has at its disposal production engineering techniques for all grades of diesel oils. Aqueous desulfurization is used as the basic process (besides obtaining simple distillates) Use can be made of catalytic cracking of heavy distillates; however, this would bring about a parallel reduction in the quantity of output of motor gasoline components.

It does not appear possible that unit consumption of diesel oil in engines can be reduced, so no savings are to be expected in this area.

In overall energy management, liquid fuels obtained from crude oil refining allow the highes percentage of recovery of primary energy from raw materials. Savings in liquid fuel use in Poland are possible if many-sided efforts are undertaken, primarily in fuels for spark-ignition engines.

The measures in this area should include:

--modernization of certain production facilities in order to increase the yield of liquid products and to improve their parameters (e.g., the older reforming installations);

--gradual elimination of high power gasoline engines from vehicle fleets;

--elevation ogf LOB [test octane number] of regular gasolines to approximately 88 units;

preparation for putting the Super motor gasoline on the market for improved versions of passenger automobile engines.

It should not be expected that in the next decade quantities of liquid fuel substitutes of significance in the overall balance will begin to be produced from crude oil, including methanol and methyl-t-butyl ether to be utilized in motor gasolines.

Sustained use of leaded anti-knock agents is justified from the standpoint of energy management. The environmental protection requirements concerning pollution by lead, carbon monoxide, nitrogen oxides and hydrocarbons should be met by the introduction of mechanical filters (to eliminate lead) and engine tune-up and technical condition checks (carbon monoxide and hydrocarbons).

Subsequent measures intended to reduce motor gasoline consumption will include improvements in feed systems (mixing fuel and air), geometrical modifications of combustion chambers and introducing zonal combustion to assure correct combustion of lean mixtures throughout the full range of engine operation parameters.

The introduction of broad-fraction fuel is related with major changes in currently manufactured engines which, owing to the time necessary for completion of such measures, goes beyond the ten-year period under discussion.

Over the 1910s, irrespective of steadily rising crude oil prices, no major changes should be expected in primary materials for liquid fuel production.

It is possible to lower growth rates in the demand for fuels for spark-ignition engines. Realizable economies in unit consumption (up to 10 percent) will, however, have insignificant effects on growth rate in crude oil demand for in the national economy.

Of essential importance for reducing engine fuel consumption are studies in engine construdesign and improved knowledge of combustion processes.

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REASONS FOR EQUIPMENT DELIVERY DELAYS EXAMINED

Bucharest REVISTA ECONOMICA in Romanian No 42, 19 Oct 79 pp 4-5, 7

[Article by Gh. Draghici: "Improving the Activities of Equipment Suppliers"]

[Text]

The scheduled and complete delivery of technical equipment*) is extremely important for the exemplary fulfillment of the investment plan and the timely placement in operation of new production capabilities. The greatest portion of the responsibility for manufacturing and delivering this equipment falls upon the enterprises of the Industrial Central for Technological, Chemical, and Refinery Equipment (CIUTCR), which manufactures and supplies highly complex equipment, most of which is one of a kind, and which requires long production times; as a result, this also requires a long preparation of manufacturing processes.

While an excess of more than 100 tons of technical equipment for metallurgy was delivered in January-September of this year, serious delays have been encountered in the food, and especially the chemical industries; this includes objectives whose starting dates have already been missed (table 1). Why has this situation arisen?

New -- and Nevertheless Old -- Problems

A major cause for the failure to fulfill the physical production plan and to deliver technologic equipment on schedule and in proper installation order, is the delay with which the investment holder (Ministry of the Chemical Industry) and its enterprises deliver to the central, documents for the fabrication of this equipment. In many instances during this year, equipment manufacturers encountered serious delays in obtaining the necessary technical and execution documentation. Here are a few examples:

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*) See article "Accelerated Delivery and Installation of Tecnologic Equipment," REVISTA ECONOMICA, No 39/28 September 1979.

Table 1. Completion of some plan indicators (nine months of 1979)

Physical production:			
Technical equipment for metallurgy			+ 102 t
for chemistry			-12,499 t
for the food industry			- 4,337 t
Net production, %			98.7
Production of goods, %			99.6
Labor productivity (in net production), %			98.1
Use of maximum available time	1st qtr	2nd qtr	3rd qtr
Equipment, %	83.8	83.6	83.0
Manpower, %	95.4	94.8	94.7

The execution plan for the distillation equipment of the aromatic extraction installation at CP Media was received on 10 July, while the installation was expected to be started during the third quarter of the year;

For the Sinteza enterprise in Oradea, arequest was made to deliver two carbon dioxide tanks in February 1980 for the inorganic pigment installation, but only a partial documentation was received by 28 August of this year.

Similar situations also exist at the photosensitive materials plant CIC Tirgu Mures, at the CP Teleajen hydrogen plant (two refrigerators), and so on.

Why do these situations prevail? First of all, design institutes cannot complete documentations in time, because users do not specify manufacturing technologies in time. These delays are directly reflected in the activities of designers, who cannot maintain schedules. It is true that some of the delays are due to the designers themselves, who for various reasons delay the delivery of designs or portions thereof. Added to this is the fact that in particular for objectives of the chemical industry, little action has been taken to standardize installations and plants, thus requiring more design manpower. These practices have in fact been known for years; and yet, equipment suppliers continue to make contracts and to promise specific delivery dates, without obtaining the necessary documentation in proper time.

Another explanation for the failure to deliver on schedule the technical equipment for some objectives, is that various priorities arose during this year in the activities of enterprises manufacturing this equipment (to place into operation some objectives of the chemical industry whose deadlines were shortened or rescheduled, and for supplementary deliveries for exportation). But this does not constitute an excuse: the manufacturers should have found solutions which did not affect the assumed contractual obligations, with the priority work being performed through a better organization of production and labor, higher productivity, larger second and third shifts, and so on.

The scheduled fabrication and delivery of technical equipment was also negatively influenced by poorly timed technico-material supplies. It is well known that the current legislation obligates equipment manufacturers to provide suppliers with their orders for materials six months before the plan period, and at least 9-12 months ahead of the plan for imported basic and semi-finished materials. But when the equipment manufacturer does not have firm requests from users, he cannot properly supply himself with raw and other materials. Only when the documentation finally arrives, does he find out that some of the contracted materials are not suitable for the planned production, or that other orders have to be placed, with the delays inherent in such a practice. As a result, the so-called equipment delivery plan (generally known as LU) established by the responsible ministries (Chemical Industry, Machine Building), is from the beginning riddled with planning problems, and with discrepancies in allocations, documentation, and delivery dates stipulated in the contracts between manufacturets and users.

The opinion of the central's specialists is that to be fully viable and respected in its essential terms, the LU program must be accepted and known by all those involved in its completion: users -- who must specify in time the equipment they need to start operations, and who must deliver within legal time periods the execution documentation (as well as the eventual finishing efforts which they will undertake); materials suppliers and their collaborators -- who must deliver on time and at rates correlated with manufacturing needs, all the contracted models, sizes, and quality ratings (including foreign trade enterprises); manufacturers -- who must organize their production and supply so as to deliver the contracted equipment in objectively determined quantities, qualites, and terms.

And finally, numerous shortcomings are found in the supply area, in the sense that some materials suppliers (milled goods in particular) both in Romania and abroad, do not respect delivery dates (Galati Steel Combine, Tirgoviste Special Steel Combine, and others). By the beginning of the fourth quarter, for instance, some of the central's units, such as IMUC (Machine Enterprise for Chemical Equipment) Bucharest, IMUT Moreni, IUC (Chemical Equipment Enterprise) Ploiesti, and IUT (Enterprise for Transportation Equipment) Buzau, failed to receive in time some 150 tons of imported materials, the result of which has been the failure to complete in time and in the order required for installation, more than 700 tons of technical equipment. In fact, the total amount of imported materials that have not yet arrived and which are needed for the technical equipment that must be completed by the end of the year and for the immediately following period, comes to more than 9000 tons of stainless steel and other alloy sheet and plate, stainless, alloy, or carbon steel tubing, and so on.

Energetic, Most Effective Action

In order to recover these equipment delivery delays by the end of this last quarter of the year, the central and its enterprises have undertaken a number of analyses with the participation of users, resulting in the establishment of some measures. In most cases, of course, these measures

Table 2. Situation of some delays (on 30 September 1979)

Enterprise	A	B	C
Mechanical for chemical equipment, Bucharest	3,228	1,186	1,075
Chemical equipment and forging, Rm. Vilcea	3,185	617	617
Chemical equipment, Ploesti	589	513	480
Chemical equipment, Grivita Rosie	837	318	318
Technical equipment, Buzau	1,582	355	355
Mechanical for technical equipment, Moreni	3,246	202	202

Key: (A) Total
(B) Investments scheduled to be started this year
(C) will be delivered during the 4th quarter of 1979

will recover delays for objectives with scheduled starting dates (table 2), but will not clear up older delays. Considering that in conjunction with the efforts that must be made to fully honor the 1979 contracts, sound preparations must also be made for next year's production, equipment suppliers will focus their attention on a few important areas:

Assignment of responsibilities for specific equipment (foremen, leaders of work formations), coordinated by management, and strict adherence to manufacturing schedules by phases and operations;

Programming and rigorous conduct of production for the time that is left, so that the 51 installations (capabilities) at work sites of the Ministry of the Chemical Industry, whose starting dates have been delayed, will be completed and delivered to users;

Formulating and finalizing within the central, by the end of October, model-files -- correlated with those of enterprises -- for each separate order that is to be placed in production, covering equipment scheduled for 1980, and then extending these files to the remaining orders. These files will show the stage of fabrication preparation, the materials that still need to be obtained (domestic or imported), and all identifying elements from manufacturer to materials suppliers.

Our investigation has also generated other suggestions which could be taken into consideration:

Units of the Ministry of the Metallurgical Industry should rapidly take steps to fabricate imported materials which could be produced on smaller installations and equipment in Romania. At the same time, it would be desirable for designers to find means of using substitutes and other materials which are reliable and durable, or to develop improved processes so that the planned objectives could be placed in operation on schedule;

Extend standardization so as to reduce the types of equipment required, thus implicitly substantially reducing the types and qualities of materials used in manufacture, and in particular those that are imported. This action could be expected through the coordinated efforts of designers of equipment and of technical processes (some categories of heat exchangers, distillation and fractionation columns, mechanical equipment, reactors, and so on);

Formulate and establish means for collecting an urgency tax for orders in excess of provisions (unplanned circumstances, negligence, and so on). This tax would support the additional manufacturing efforts (technical and labor) caused by the change of supply and transportation priorities.

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MORE EFFICIENT USE OF PRODUCTION ASSETS URGED

Bucharest REVISTA ECONOMICA in Romanian No 42, 19 Oct 79 pp 10-11

[Article by Gheorghe Obreja and Stelian Militaru, State Planning Committee]

[Text] In 1980, the technologic endowment of the economy will represent over 190,000 lei per employee, as compared to about 120,000 lei in 1975, and some 75,000 lei in 1970.

A well-known interdependence exists between the production capabilities available in the national economy, and the provisions of the unified national plan for increasing the production of goods and services. The production tasks listed in the plan rigorously asses the entire production potential, as well as the need for using this potential intensively and with maximum efficiency.

Our national economy is currently endowed with a powerful technologic potential, which will continue to expand and be modernized during the next five-year plan. At the beginning of 1979, the fixed assets of our national economy amounted to over 1.58 billion lei, most of it having been formed during the last 10 years. Calculations have shown that industrial production could easily be doubled in a relatively short time if the full utilization of machinery, equipment, and installations were better organized and carried out.

In emphasizing the full utilization of existing production capabilities and of all fixed assets in the economy, the Draft for Directives stipulates that improvements in the efficiency of fixed assets in industry will mean that by 1985 the total industrial production will be 1800 lei, and the net production more than 600 lei, per 1000 lei of fixed assets. That is why it is absolutely necessary for the degree of utilization of fixed assets to be constantly increased, and for the highest physical and net production to be obtained from each leu invested and established into fixed assets. It is only by acting decisively toward the full and most efficient utilization of all production capabilities, that it will become possible to recover in time the large sums advanced by society to endow every production unit with modern machinery and equipment, and to obtain significant increases in physical production without additional investments.

Reserves for Improving Utilization Indicators

Many economic units, particularly during recent years, have obtained excellent results in their utilization of machinery, equipment, and installatins in production activities, and have been intesively concerned with placing into production those which remained idle. Some figures are conclusive in this domain. During the past year, the utilization indicator for machinery, equipment, and installations throughout the state industrial enterprises has increased by about 1.5 percent with respect to 1977, and by nearly 10 percent with respect to 1976. This process became more intense during the first portion of this year, when a number of units, especially in the Ministry of Transportation and Telecommunications, and in the Ministry of the Light Industry, obtained superior indicators in the utilization of their machinery, equipment, and installations.

Despite all these positive results, some shortcomings are still encountered in this area. Although it was stipulated that during this year, more than two-thirds of the industrial production growth should be obtained on the basis of existing production capabilities, economic units have not acted decisively in this direction in all cases. During the current year for instance, many enterprises have reported for their production capabilities, utilization indicators that are lower than planned or than were recorded during previous periods (units in metallurgy, machine construction, chemistry, forestry economy and construction materials, where complex machine-tools were not properly work-loaded and utilized).

During the first part of the year alone, the utilization indicator for machinery, equipment, and installations in 24 enterprises of the machine construction industry was lower than 80 percent, with direct implications on the overall efficiency of fixed assets. This situation was generated in particular by such shortcomings as: failures in the planning of shift work; lack of raw and other materials supplies; unavailability of qualified workers in some specialties; poor concern for proper maintenance, repair, and use of machinery, equipment, and installations; and so on.

The present and future needs of the economy impose the elimination of these situations, the superior exploitation of the entire production potential being a decisive condition for the sustained development of production, for the achievement of physical and net production, for the balanced and complete fulfillment of all planned tasks. The outstanding importance of an improved utilization of the production potential is illustrated by the following calculated figures:

An increase of only one percent in the intensive and extensive utilization indicator of technical machinery, equipment, and installations, and of all production capabilities in industry, is currently equivalent to an increase of more than 9 billion lei in total industrial production.

The ways and means for improving the utilization indicators of machinery and equipment are numerous and well known. It is essential to act effectively in every existing situation so that idle or incomplete utilization periods for each machine and installation be reduced to a minimum.

Hastening the Placement in Operation of New Capabilities

One of the major tasks of all investment users and builders is the placement in operation of new production capabilities on schedule and within all planned parameters. That is so because each objective, through the production which it contributes, directly determines the completion of the tasks listed in the unified national plan, and the extent to which the general needs of the national economy are satisfied. The following data is a clear indication of the importance of these new production capabilities:

Advancing by one month the starting date of the new production capabilities expected to be completed during the next five-year plan, could increase the overall industrial production by nearly 15 billion lei, and the net production by more than 5 billion lei.

Consequently, users of new capabilities, designers, builders, and equipment suppliers, are charged with the task of working closely together in order to place the new capabilities in operation on schedule or even ahead of time. In what follows, we list several measures and actions which must be undertaken and carried out to reach the anticipated production growth rates:

Respecting the start-up dates of new production capabilities, a situation which depends primarily of the contribution which must be made by investment users. The latter must organize their own work teams, which will contribute directly to the performance of some projects, and to the more rapid installation of machinery and equipment. At the Chemical Combine of Tirnaveni, for instance, in order to hasten the start of manufacturing lines, the user assumed responsibility for some projects, among which the laying of the plant's railway tracks, and the recruitment and early training of a significant number of chemical operators, electricians, machinists, and other workers. Similarly, at the site of the Heavy Equipment Combine of Iasi, the builders were helped by designers, equipment suppliers, and users, so that the project could continue without interruption. More than 20 groups and design institutes which collaborated in the design of the combine, assured 90-95 percent of the construction and equipment projects starting with the first quarter of this year. In turn, the user provided a large volume of metal construction and bearing pillars in the work areas that were turned over to him;

Intensifying and assuring the installation of technical equipment. Some analyses show that stocks of non-installed equipment amounting to several billion lei can be found at investment sites in the national economy, and primarily at sites of the chemical, metallurgical, and forestry economy and construction materials industries. This state of affairs is mainly

determined by builders' failure to provide adequate work conditions, as well as by other problems in the organization of operations. At some sites there are no double shifts, the work force is not complete, each work station is not supplied with materials tools, or equipment in time, and so on, with negative influences on performance and completion rates;

Assuring suitable work conditions on the part of builders. It has been observed in many cases that builders do not provide proper installation conditions, and that operations are not scheduled properly and in close correlations with the installation of equipment, thereby disturbing the successive execution of installations. In order to prevent and eliminate such situations, builders must accelerate the rate of installations (in particular where delays exist at present), and that they strictly respect installation schedules;

The delivery of each piece of equipment at the proper time and with care, in close correlation with installation schedules is another way in which investments can be completed in time, and a means for recovering some delays which arise in the performance of projects at different locations. The scheduled starts of capabilities at such industrial sites as the Combine for Synthetic Fibers of Vaslui, the Steel Site of Calan, the Petrochemical Combine of Borzesti, and others, will become a reality only if equipment suppliers (the Machine Building Enterprise of Resita, the Chemical Equipment Enterprise of Ploesti, Independenta of Sibiu, and Unio of Satu Mare) will catch up with their delays and deliver the contracted equipment during this year;

Expanding and furthering cooperation in the construction of machinery and equipment is another means for placing the new production capabilities into operation on time. The results of such cooperation are directly determined by the attention devoted to assuring technical documentation and to analyzing the conduct of this cooperation.

In the superior exploitation of the technical production potential, particular importance will have to be devoted to achieving all planned technico-economic parameters on schedule and in the shortest possible time, thus obtaining additional increases in physical and net production.

Sound Training of Manpower

The rational utilization of fixed assets and increases in their general effectiveness are also closely related to the sound training of the manpower and of all workers called upon to assure the maximum exploitation of the entire technologic potential in economic units. According to the guidelines of the Draft for Directives of the 12th Congress of the RCP, it is imperative that all enterprises act to perfect the professional training of workers and technical staffs, so that they might assure the continued most efficient operation of machinery, equipment, and installations. Control over the management of fixed assets will have to be strengthened, establishing in all enterprises a perfect order and discipline in the proper maintenance and operation of all fixed assets.

A significant role in the training of qualified workers, capable of assuring the efficient utilization of the available technologic resources, can be played by the commissions formed to deal with the professional training of the work force, and to raise its level of techical education. Greater stress in this respect, must be placed on the recycling of workers through polyqualification, the acquisition of several trades, it being known that a qualified manpower is one of the decisive factors for the best operation, maintenance, and utilization of fixed assets.

The perfect training of the work force must give precedence to the most rapid introduction of multiple machine operation. It is significant to note in this respect that:

The introduction of multiple machine operation at no more than six machine-tools would result in a manpower reserve equivalent to no less than 7000 lathe and milling machine operators.

In order to set the basis for an expansion in the multiple operation of machinery, equipment, and installations, collective management organs -- fully aware of the requirements and specific nature of each production unit -- are called upon to take a number of steps, among which are: reorganization of production processes; improvements of tools and equipment whose technical and functional characteristics allow their multiple operation; reorganization of technologic lines and relocation of machinery and tooling, assuring that units are provided with all necessary devices and tools; introduction of lot allocation for finished parts; introducing the local fabrication of tools and fixtures, and manufacturing automation equipment; reducing manufacturing preparation time so as to allow an expansion of multiple operation; organizing special courses for raising the qualification of workers, and so on.

Rigorous Organization of Maintenance and Repair

Another way to increase the efficiency of fixed assets, is the most proper organization of maintenance and repair for all machinery and equipment. The Draft for Directives stipulates in this respect, concrete measures designed to improve the maintenance and repair of fixed assets assigned to economic units. This entails a proper development of maintenance groups in all economic units, the expansion and diversification of enterprises specializing in the repair of various types of machines and equipment, and the centralized repair of machinery and equipment (by geographical zones, ministries, industrial centrals, or groups of enterprises). It is therefore absolutely necessary to rigorously respect the provision that annual plans stipulate necessary capital repairs according to the standards for operation and maintenance of fixed assets, specify spare parts requirements and the cost of each repair, and strictly respect the schedules for repairs, technical inspections, and current repairs. The formulation of and total adherence to a repair plan for production capabilities, for technical standards of maintenance and utilization, and for the organization and

performance of high quality repairs, must constitute -- like the production plan -- a compulsory task to be executed by each economic unit, so that each machine and each piece of equipment will be kept out of the production process and the economic flow for the shortest possible time.

Measures will also have to be taken to eliminate those situations which prevent the repair or general overhaul of machines and equipment, to carefully examine these postponements, and to prevent accidental stoppages. A conclusive example can be provided in this respect: last year, accidental stoppages (caused primarily by improper organization of labor, mechanical defects, and so on) throughout the machine building industry have caused losses equivalent to 7.3 million machine-hours, and consequently significant reductions in production. At the same time, a stop must be put to the trend for additional production or for recovery of delays at the expense of disregarded scheduled machinery repairs.

It is the duty of each production unit, each labor collective, and each individual worker, to use and manage the means of production as well as possible, and to assure the faultless and most efficient operation of these resources, so as to fulfill the fundamental objective and basic tasks of our socioeconomic development at present and during the 1981-1985 five-year plan, and so as to apply to everyday life, the party program for building a multilaterally developed socialist society in Romania.

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FAILURE OF MAJOR STEEL PRODUCER TO ACHIEVE PLAN PROBED

Bucharest REVISTA ECONOMICA in Romanian No 43,26 Oct 79 pp 1-2

[Article by V. B[illegible] and L. Tintea: "Resources for the More Efficient Use of the Production Potential"]

[Text] When a major alloyed steel production unit does not regularly fulfilled its physical plan tasks... numerous steel users fall behind in the production of certain products important to the national economy as well as to exports. Such shortcomings can and must be eliminated through the better planning and organization of production, the maintenance of fixed assets in operating condition, the on-time start-up of new facilities and the most rapid attainment of planned parameters for all equipment and installations in its inventory.

The Tirgoviste Special Steels Combine, designed to produce high technology products that satisfy the requirements of the national economy and ensure the growth of the export of products with a high degree of processing, is equipped with equipment and installations that are among the most modern in the world. Having such technical equipment available, this unit produces a broad range of products, holding an important percentage in the production of alloyed and highly alloyed steels (22.5 percent) and laminated steels (17.14 percent), while it is the sole producer in the economy for electro-technical rolled steel and forged bars and blocks.

Through the assiduous activities of the work collective, year after year intense actions have been carried out to increase production and improve its structure by starting production, for the first time in our country, of certain types of new superior steels and different high-demand products, especially those required by the machine building industry. Despite this, in the first nine months of 1979, although the results recorded for physical and variety production are in the general range of growth, they are not at the level of the plan provisions. This situation brings about a series of shortcomings (in chain reaction) for some users, with direct effects upon the production of certain products and

technological equipment of certain importance to the national economy. What concerns are there and what else would be necessary so that this important steel unit falls within plan provisions and honors all its contractual obligations on time?

If the Existing Possibilities Would Be Fully Used....

From the analysis of the achievements regarding physical production during the first nine months of this year, it shows that several tens of thousands of tons of steel and steel products were produced above the amount produced last year. Similarly, in the period that has gone by this year, eight new types of steel and other tens of varieties of products of great importance were produced as a result of the efforts of the specialists, products that contributed to the reduction of certain costly imports. But, in reporting the level of achievements made in physical and variety production according to the plan provisions for the period of 1 January to 1 October 1979, it shows important differences, as outlined in Table No 1.

Table No 1

Achievements in Physical Production by Basic Variety for the Period 1 January to 30 September 1979 (in tons)

Type of Product	Plus or Minus Compared to the Plan Provisions
Total Steel	- 71,406
of which:	
Alloyed Steel	- 7,806
Finished Laminated Steel	+ 896
Alloyed Laminated Steel	- 11,993
Forged Bars and Blocks	- 3,427
Electrotechnical Plate and Rolled Steel	- 11,090
Dynamo Plate Steel	- 6,392
Plate Steel for Transformers	- 6,505
Calibrated Steel	- 13,507
Billets and Blooms	- 3,229

One of the causes for this situation is closely tied to the combine's own shortcomings. First of all, we are referring to the still inappropriate level of metal use. In the first nine months of this year, the percentage of metal removed from the steel ingot was at 78.8 percent instead of the 82.4 percent outlined in the plan. Because of this, better than 11,000 tons of metal, instead of finding its way

into finished products, went back to be remelted. Then, if we analyze the manner in which the production facilities were used, especially the basic equipment, we discover that for the No 2 electric steelworks, the middle and small capacity rolling mill and the bar and block forge the installation use index is 10 to 20 percent below plan provisions. Some calculations show that for this reason the combine did not produce a quantity of products equal to over 15,000 tons of steel and steel products.

In addition to these shortcomings, there also were those of certain suppliers that did not adhere to their contractual obligations. Thus, the irregular delivery of dolomite at levels quantitatively and qualitatively below planned provisions by the Hunedoara Steel Combine made it impossible to ensure the proper maintenance of the electric furnances. The failure to deliver refractory bricks at the level ordered (suppliers: the "Pleasa" Enterprise in Ploiesti, "Vulturul" in Comarnic and "Rasaritul" in Brasov) led to the failure to provide a casting base and its failure to fall within the appropriate operating parameters. The large shortages of hot rolled steel (supplied by the Galati Steel Combine) did not permit the production of certain important types of steel for users, and so forth. Similarly, because of the fact that deliveries were not made of old iron at the volumetric weights and of the types planned, charges in the electric furnaces were frequently extended and, in many cases, they did not reach the weights established for each charge, and so forth.

As would be natural, the plan shortcomings led to the failure to fulfill numerous economic contracts, especially for the units of the Truck Industrial Central, the Industrial Central for Agricultural Tractors and Machinery, the Industrial Central for Rolling Stock and assembly units in Brasov, the Electrotechnical Industrial Central in Craiova and so forth.

There is, however, another situation, which is clearly shown in Table No 2. Although overall there was a surplus in deliveries (approximately 1,215 tons of electrotechnical steel plate), there is no explanation for the rationale of delivering to certain users more than was delivered during a given period while other users did not get enough to meet their requirements. The explanations received do not justify the situation, which reflects an unfair means of dealing with contractual demands. It is necessary to keep in mind all users (large and small), without favoring some to the detriment of others.

In general, the mentioned shortcomings find their explanations in the existence of insufficient technological discipline, in the failure to provide appropriate technical assistance for all shifts, in

Table No 2

The Level of Fulfilling Contractual Obligations for the Delivery of Electrotechnical Rolled Steel (for the first nine months of 1979)

User Enterprise:	Plus or Minus Compared to Contract Terms (in tons)
"Electroputere" at Sacele	+ 754
Bucharest Electric Motor Enterprise	+ 660
ITM Filiasi	+ 375
Bucharest Kinescope Enterprise	+ 346
"Electromotor" at Timisoara	+ 324
Pitesti Electric Motor Enterprise	- 508
"Electroputere" at Craiova	- 320
"Romlux" at Tirgoviste	- 309
"Electrotehnica" at Bucharest	- 40
"Electroarges" at Pitesti	- 10

maintaining some equipment in an inoperable condition, inappropriate maintenance and lengthening the time needed to repair certain equipment, irregular supply of necessary items to work sites, poor cooperation with raw materials and materials suppliers, and so forth. The analyses carried out in connection with the achievement of the physical plan during different periods of the year by the leadership of the combine, local party organs and the appropriate ministry had the effect of influencing the production activities in a somewhat favorable way, but not raising it to the necessary levels to recoup the shortages or at least to prevent them from getting worse. This is so because the collective has for a long time (the last three years) been confronted with a series of shortcomings that it could not and can not eliminate solely through its own efforts. What are we talking about?

Impassable "Obstacles" Or... Delays in Solving Certain Problems

We emphasize at the beginning that this unit is equipped with among the most modern equipment in the world. Unfortunately, due to the fact that spare parts reserves (especially for special equipment) were not provided, it got into the situation where part of the equipment operated much below the projected level or even became unusable for long periods of time (the case of forging equipment). Likewise, it must be pointed out that although nearly five years have passed

since the start-up of the combine's first production facilities, up until today they still have not reached the point of providing the combine with all the equipment and devices outlined in the project.

The efforts made by the collective to bring on-line certain sub-assemblies or items or to recondition others could not and cannot cover the demands. On the other hand, neither did the help received from the other metallurgical units or the units in the machine building industry contribute to the solution of all the problems of this nature - a series of special pieces and sub-assemblies that are strictly necessary were not assimilated and, therefore, not produced. This state of affairs is due to the fact that the ministry involved, to which the combine is directly subordinate, did not provide on time a sure supply base of spare parts in the country or from imports, first of all, for special installations. An estimated calculation shows that the down-time of equipment and the non-achievement of planned production caused a loss of physical production with a value much greater than the cost of the spare parts that should have been provided.

Many problems were also created by the long delays in starting-up certain projects, caused, in the majority of the cases, not by the importation of basic technological equipment (there are equipments in stock that have not been installed for long periods of time and for which the state paid large sums of hard currency), but by the failure to produce on-time equipment to complete the projects, equipment scheduled to be produced in country by specialized units of the machine building and metallurgical industries (CICM Bistrita, FUM Buzau, the Dr Petru Groza Mechanical Enterprise and so forth). For this reason, a series of projects planned for start-up back in 1977-1978, rescheduled for 1979, are still today not tied into the production system (furnaces Nos 7, 8, and 9 at the No 2 electric steelworks, new facilities at the bar drawing works, the electro-technical rolling mill and filter plant, the mixed steel and pig iron foundry and so forth).

The failure to put the planned projects into operation this year directly affected the combine in its failure to reach the levels of physical production and produce the different varieties. Because of this non-achievement of contracted production and maintaining in stock certain unassembled equipment, for just nine months of this year the combine paid better than 12 million lei in penalties.

It cannot be said that this unit did not take steps to solve these problems. The documents analyzed show that the users made numerous interventions with the suppliers, but they did not produce immediate results. Thus, through written compliants addressed to the Ministry

of the Machine Building Industry, as well as other organs involved in the investment process, the combine requested a change in its allotments to produce certain equipment in order to complete its projects from some new enterprises lacking in experience to others that present a greater guarantee by virtue of the fact that they have produced such equipment for many years. These compliants, as well as others, did not find the appropriate understanding.

Concrete Help, Efficient Measures

According to the opinion of the leadership cadre and the specialists in the combine, there are sufficient possibilities so that the existing difficulties in fully achieving the physical plan tasks can be exceeded and can create the conditions that are favorable so that the production activities can be at higher levels. Moreover, currently numerous measures and actions are being undertaken to recoup certain shortfalls so that in greeting the 12th Party Congress it can obtain the largest possible achievements in physical and variety production in honoring economic contracts.

In order to resolve the more difficult problems, the principal directions of action will be the following:

-- the most urgent solution of the spare parts supply problem. It would be useful for the specialists in a series of ministries (the metallurgical industry, machine building, technical-material supply and the State Planning Committee) to make an on-site analysis of the amount of spare parts ordered, the possibilities and timeframes for assimilation and production of these items in-country, at the same time establishing specifically what is strictly necessary for imported supplies;

-- raw materials suppliers, especially the Galati Steel Combine, provide the new types and shapes of steel within useful timeframes so that there are the necessary amounts of raw materials at Tirgoviste when new facilities start-up;

-- in order to ensure the more prompt deliver of certain types of metals by the steel units for the production of technological equipment, the user industrial centrals must, beginning with this quarter, place the initials "UT" (technological equipment) and "UTpf" (technological equipment for start-up in 1980) on the order specifications. It is felt that such a measure would cause material suppliers (up until now, the siderurgical units did not have such specifications)

to better organize their activities and to give more attention to strictly respecting the orders for the technological equipment necessary for the start-up of new investment projects;

-- for the Ministry of the Metallurgical Industry to approve the organization of a metal sales base within the framework of the combine, similar to those in existence in the large siderurgical combines. In such a situation, there would be a decrease in the current stocks stemming from cancelled orders, production that does not meet certain quality standards and so forth, stocks which actually decrease production spaces (especially in the laminating sections);

-- concentrate the efforts of the users and suppliers of equipment and the builder on the most important investment projects in order to get them into production as fast as possible. In this sense, of real help would be the Ministry of the Machine Building Industry specialists' on-site analysis of the status of deliveries of technological equipment used in completing projects and, as a function of this, the identification of experienced suppliers that can fill orders in the shortest possible time. Such a measure would have the effect of allowing the physical production planned for new facilities that are to start-up to be fully achieved;

-- to accelerate the process of training and improving the qualifications of personnel. In addition to the courses organized on-the-job, it is necessary to initiate more exchanges of experiences with the new people in the unit, as well as with different similar enterprises. The specialized high schools, upon which the combine relies, must be helped more by recruiting an appropriate number of young people, first of all from within the county, with this being the guarantee for the stability of personnel and the decrease of fluctations. There is also the proposal that the Ministry of the Metallurgical Industry study the possibility of establishing alongside the combine a section for siderurgical assistant engineers. The positive solution of these requirements would stimulate the interest of the young to opt for careers in siderurgy and to come to work in this metallurgical center of the country where they have multiple opportunities to train and learn.

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